



Audit, Governance & Standards Committee

Tue 10 Dec
2024
7.00 pm



Oakenshaw Community Centre,
Castleditch Lane, Redditch, B98 7YB

**If you have any queries on this Agenda please contact
Mat Sliwinski**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
Tel: (01527) 64252 (Ext. 3095)
email: mateusz.sliwinski@bromsgroveandredditch.gov.uk**

GUIDANCE ON FACE-TO-FACE MEETINGS

Please note that this is a public meeting

You are able to access the agenda from the Committee Pages of the Council's website.

If you have any questions regarding the agenda or attached papers, please do not hesitate to contact the officer named above.

GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON

Meeting attendees are encouraged not to attend a Committee if they have any of the following common symptoms of flu or covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents and the virtual participation of residents at meetings of Audit, Governance and Standards Committee.

PUBLIC ATTENDANCE AT MEETINGS

Members of the public are encouraged not to attend a Committee if they have any of the following common symptoms of flu or covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Notes:

Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.

Audit, Governance & Standards

Tuesday, 10th December, 2024

7.00 pm

Oakenshaw Community Centre
- Oakenshaw Community
Centre

Agenda

Membership:

Cllrs:	Gemma Monaco (Chair)	Andrew Fry Joanna Kane
	Chris Holz (Vice- Chair)	David Munro Gary Slim
	Juma Begum	
	William Boyd	
	James Fardoe	

1. Apologies and Named Substitutes

2. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. Minutes (Pages 5 - 16)

The minutes of the meeting of Audit, Governance and Standards Committee held on 26th September 2024 will be considered at this meeting.

4. Public Speaking

Members of the public have an opportunity to speak at meetings of the Audit, Governance and Standards Committee. In order to do so members of the public must register by 12 noon on the day of the meeting. A maximum of 15 minutes will be allocated to public speaking.

5. Feckenham Parish Council Representative's Report - Standards Regime

To receive a verbal report from the Feckenham Parish Council Representative on any Parish Council standards matters of relevance to the Committee.

6. Grant Thornton - External Audit Backstop Report (Pages 17 - 48)

7. Financial Compliance Report including Statements of Accounts (Pages 49 - 374)

Audit, Governance & Standards

Tuesday, 10th December, 2024

- 8. Internal Audit Progress Report** (Pages 375 - 396)
- 9. Risk Management Report (Q2 2024-25)** (Pages 397 - 420)
- 10. Financial Savings Monitoring Report** (Pages 421 - 428)
- 11. Risk Champion Update**
- 12. Committee Work Programme** (Pages 429 - 430)



Audit, Governance & Standards Committee

Thursday, 26th September,
2024

MINUTES

Present:

Councillor Gemma Monaco (Chair), Councillor Chris Holz (Vice-Chair) and Councillors James Fardoe (substitute), Claire Davies, Andrew Fry, Joanna Kane and David Munro

Also Present:

Councillor Ian Woodall – Portfolio Holder for Finance
Jackson Murray – Key Audit Partner, Grant Thornton (on Microsoft Teams)
Kirsty Lees – Audit Manager, Grant Thornton (on Microsoft Teams)
Chris Green – Head of Worcestershire Internal Audit Shared Service

Officers:

Peter Carpenter, Debra Goodall, and Nicola Cummings

Democratic Services Officers:

M Sliwinski

27. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors Munro and Begum. Councillor Fardoe attended the meeting as a named substitute for Councillor Begum.

28. DECLARATIONS OF INTEREST

There were no declarations of interest.

29. MINUTES

The minutes of the meeting of Audit, Governance and Standards Committee held on 25th July 2024 were submitted for Members' consideration.

Chair

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

Councillor Fry advised of a typographical error in the minutes of the meeting of 25th July 2024, whereby he was not recorded as having been present at the meeting. The Democratic Services Officer in attendance undertook to correct this error.

RESOLVED that

subject to the amendment detailed in the preamble above, the minutes of the Audit, Governance and Standards Committee meeting held on 25th July 2024 be approved as a true and correct record and signed by the Chair.

30. PUBLIC SPEAKING

There were no public speakers who registered to speak at this meeting.

31. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Committee considered the Monitoring Officer's report which provided updates on Member Complaints and Member Training.

It was reported that three member complaints had been received since the last meeting, two of which had been deemed not to be member conduct issues requiring further investigation. One complaint was in the process of being investigated. It was noted that the Member Support Steering Group (MSSG) agreed to circulate a questionnaire to all Councillors asking for feedback with regard the induction process for Councillors elected in 2024. In response to a question about the number of responses to the member induction survey, the Officers undertook to provide the answer after the responses had been collated.

Overview of the training that had taken place and was due to take place was provided. It was requested by Members that cyber security training for Members be arranged as soon as possible. Officers noted that they were currently investigating the best approach to providing this training, including arranging an external trainer provider. In response to a question about enforcing attendance at member training sessions, it was responded that Officers could not mandate elected members to attend training.

RESOLVED that

the Monitoring Officer's report be noted.

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

32. ANNUAL REVIEW LETTER OF LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Committee received a report which set out details of the Local Government Ombudsman's Annual Review Letter which covered the period until 31st March 2024.

During this one-year period, 7 complaints had been received and 8 complaints had been decided (of which some were received prior to 1st April 2023). Of the 8 decided cases, one complaint relating to a housing issue was upheld and the Council was found to be at fault. The Ombudsman found that one complaint did not warrant an investigation and was closed, three complaints were referred back to the Council as 'premature', which meant the cases had not had time to be processed through the Council's complaints process. In two cases, advice was given by the Local Government Ombudsman and the complainants were signposted to the right help. In one complaint, the investigation resulted in the finding of no fault on the part of the Council.

In response to a question regarding implementing the Ombudsman's recommendations for the upheld case, the Deputy Monitoring Officer responded that the Ombudsman's recommendations had been fully implemented. Additionally, a root and branch review of internal processes had been carried out to identify and, in future eliminate, the causes that led to the Council being at fault.

A question was asked regarding the Council's new complaint monitoring plan. It was responded that the plan took into account the requirement that would be introduced for local authorities to respond to all complaints within ten working days. It was reported that the new corporate complaint system had undergone an internal review. The complaints and compliments data would become available to view on the PowerBI software.

RESOLVED that

the report be noted.

33. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

The Feckenham Parish Council Representatives were not present at the meeting. A Member requested that a note be prepared by the Committee Officer, explaining the role that Parish Council Representative fulfilled on the Audit, Governance and Standards Committee. This would be shared with Feckenham Parish Councillors for their consideration.

34. GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (REPORT TO FOLLOW)

The Key Audit Partner from Grant Thornton presented an update on the application of the local authority backstop and in doing so reported that the Government announced a backstop date of 13th December 2024 by which accounts up to the 2022-23 financial year would need to have been produced, put out for public inspection, and to have received an audit opinion.

It was noted that Redditch Borough Council had outstanding accounts to be externally audited for years 2020-21, 2021-22, and 2022-23. It was the view of the External Auditor that given the backstop date of 13th December, there would not be enough time to complete the audits of these accounts, and therefore the backstop would need to be applied and disclaimer opinions issued for these years. It was noted that disclaimer opinions in this case would mean that the auditor had been unable to form an audit opinion, the reason being the limitation of scope imposed by statute (not by the local authority). It was noted that for years 2020-21 to 2022-23, the External Auditor had completed Value for Money work and issued interim auditor's Annual Reports, which would be finalised when opinions on the financial statements were issued.

It was reported that the next meeting of the Committee would need to be rearranged to early December, in anticipation of the backstop date, in order to enable the External Auditor to share the wording of audit opinions for years 2020-21 to 2022-23 with the Committee. Members were updated that the Council had produced the 2020-21 accounts, and they had been released for public inspection. The 2021-22 accounts were to be released for public inspection at the beginning of October, and the 2022-23 draft accounts were to be finalised and released for public inspection by the end of October.

The Council's new External Auditor, Bishop Fleming, would be assuming responsibility for the Council's accounts from financial year 2023-24. The backstop deadline for issuing of audit opinions for accounts for financial year 2023-24 was 28th February 2025.

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

It was highlighted that nationally there was a significant backlog of unaudited local council accounts. There remained circa 600-700 sets of unaudited local authority accounts for years up to 2022-23, which were likely to be issued with 'disclaimer' opinions due to the auditors having been unable to complete audits in time before the backstop date.

It was queried by Members when a letter of representation was due to be submitted by the Council. It was explained by Officers that they would provide an update on this in due course.

Officers explained the difficulties with preparing the Council's accounts for the year 2021-22 due to cash receipting issues experienced throughout that financial year. It was reiterated that thousands of transactions were incorrectly allocated and this needed to be rectified manually. It was noted that statements for collection fund and pensions had been completed for 2020-21 to 2022-23 financial years, however, general fund account still had to be finalised for 2021-22 and 2022-23.

RESOLVED that

the External Auditor Progress Report and Sector Update be noted.

35. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Progress Report was presented for Members' consideration. It was reported that the Worcestershire Internal Audit Shared Service (WIASS) had been recruiting to a post of auditor with the post due to be filled in November 2024. There was one long-term sickness within the service which was currently covered by agency staff and was hoped to be filled by the new appointee.

It was reported that the internal progress report contained new performance measures such as customer satisfaction. It was noted that at the time of report writing 118 productive days had been delivered against the full year plan of 328 days. As of the date of meeting 137 days had been delivered. A summary of internal audit progress and findings in this year to date was included in the report at table 4.

During consideration of the report the following points were discussed:

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

- Accounting for training / development period for new internal audit staff – It was reported that within internal audit service budgets allowances were made for productivity, including time allocated within the plan for training and development of staff versus direct work in undertaking internal audit.
- Other systems audits – It was explained that not many days out of planned budget had been delivered for other systems audits as finance audits were generally undertaken in the last two quarters of the financial year.
- Limitations – It was explained that the inclusion of a section on the ‘limitations inherent in the work of internal audit’ was a public sector audit standards requirement. This provided a statement of eventualities that could affect internal audit work. It was noted that urgent actions requested by internal auditors of the Council that were overdue by more than a month were specifically highlighted within reports.
- Performance Indicators for internal audit service – It was reported that the service was implementing a suite of indicators which aim to demonstrate and enhance performance of the service. It was highlighted that the productivity target, which was percentage of available time (of staff) spent on productive audit work, was 80 per cent. The figure achieved by WIASS in April 2024 was 66 per cent and the latest figure for summer 2024 was 74 per cent. It was reported that there was no overarching, consistent framework (in terms of specific targets and achievement thresholds) for measuring internal audit performance nationally.
- The Portfolio Holder for Finance reported that the move towards setting and standardising of key performance indicators was being undertaken across Council services. It was requested that the Portfolio Holder for Performance be invited to attend the next meeting of Audit, Governance and Standards Committee in reference to discussion around performance.
- Stakeholders for internal audit service – The Head of Internal Audit Service reported that key stakeholders for internal audit were customers, including sponsors of the internal audit. It was reported that a survey was sent after every audit

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

assignment and the internal audit service was receiving around 50 per cent response rate. The aim was to introduce and annual internal audit survey.

- It was explained that the Council paid internal audit service for the number of days of audit work delivered.

RESOLVED that

the Internal Audit Progress report be noted.

36. INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT AND IMPROVEMENT PLAN

A report was provided to inform the Committee of the results of the recent Internal Audit independent External Quality Assessment (EQA). It was reported that the Worcestershire Internal Audit Shared Service (WIASS) was rated as operating in General Conformance to the Standards (green rating) which was the highest of the three available grades. The Head of Internal Audit noted that to support continuous improvement an action plan (at Appendix B) had been developed to improve further standards and performance of the service.

It was noted that the External Quality Assessment (EQA) review was undertaken every five years, with the reviewer selecting a sample of audit work. The Head of Internal Audit reassured the Committee that as part of the assessment of WIASS, samples of audit work were taken from all authorities for which WIASS was providing internal audit service including Redditch Borough Council.

During consideration of the report the following points were discussed:

- Global Internal Audit Standards – It was reported that from January 2025, the Institute of Internal Auditors new global internal audit standards were due to become effective across internal audit. It was stated that these would assist with aligning risk grades across organisations, however, concerns were expressed that the new standards relied excessively on the local government risk management framework and thus implicitly on the Council's self-declared levels of risk. The Head of Internal Audit commented that evaluation on the new standards would be undertaken before they were introduced.

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

- Transparency in risk reporting and assessment at the Council – It was reported that risks were being declared in public by the Council and internal audit was currently working on assembling an ‘audit universe’ – a single list of all matters across Redditch Council that could be audited.
- Stakeholder feedback on internal audit – It was noted that in terms of communications if any points of concern were becoming apparent as a result of internal audit work, it was the aim to share these with senior management at local authorities as soon as possible.
- Risk management in the local authority sector – It was reported by the Head of Internal Audit that in terms of risk management the basics were well-embedded across local government, however, there was a large degree of variance at departmental and service levels where it was not uncommon to see out of date risk registers with actions that were not being followed up.

RESOLVED that

the External Quality Assessment and Improvement Plan of Internal Audit be noted.

37. FINANCIAL SAVINGS MONITORING REPORT

The Committee received a report on financial savings monitoring. It was reported that savings options for the 2024-25 budget were agreed at full Council in February 2024. Savings options from 2024-25 and 2023-24 savings items relating to future years had been added and were included for consideration at appendix A to the report.

The Q1 2024-25 Finance and Performance Monitoring Report was reviewed by the Executive Committee in September 2024 with the overspend of circa £164,000 at Q1. The major items of overspend related to the Council fleet of refuse vehicles, in particular to the current costs of refuse vehicle hire (currently at cost of circa £20,000 a month), and in relation to agency fees due to vacancies.

In terms of savings items, two amber items in the departmental savings were continued to require careful monitoring, relating to the Service Review relating to the Council Establishment Review and

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

the Capacity Grid project relating to the ongoing recoupment of old Council Tax and Business Rates debt.

The largest savings item in recent years had been on pension costs which linked to the 2023 triennial revaluation. The next triennial revaluation was due to take place in 2026-27 financial year. For 2024-25 savings items, the items required careful monitoring included movement to fill the £400,000 Town Hall savings item with new tenants, delivery of the 7 per cent increase in fees and charges across Council chargeable services and the deliverability of Planning income increases.

RESOLVED that

the Q1 position on the 2024-25 Departmental Savings Programme be noted, including any potential implications for future years.

38. FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON STATEMENTS OF ACCOUNTS

The Committee was updated on the central government legislative requirements in terms of key returns that had to be submitted by the Council. It was highlighted that there was compliance on all key returns. It was reiterated that central government funding would now be allocated based on data contained in returns and thus it was imperative that the Council submitted detailed and timely returns.

It was reported that Redditch Council was owed circa £6.5 million in VAT. The Council remained in conversation with HMRC over claiming back VAT returns, however, the Council had a deadline of January 2025 to resolve this issue to be eligible to claim back the money. It was highlighted that VAT liability of Rubicon Leisure (Council's trading company) was circa £800,000.

An update was provided on the submission of prior years' Statements of Accounts. Members were reminded that the 2020-21 Accounts were presented to the Audit Committee in May for comment and had been open to public scrutiny in May 2024 – no comments were received. The 2021-22 Accounts had been prepared, however, an imbalance of circa £2 million was identified between accounts of Redditch and Bromsgrove Councils (these councils were a shared service). The imbalance needed to be rectified before the draft accounts could be presented to Members

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

and released for public inspection. It was highlighted that 2021-22 was the financial year in which the Council experienced issues with cash receipting for the whole financial year and the imbalance was a legacy of that issue.

For 2022-23 Accounts, it was proposed that an Audit Task Group be set up to meet at the end of October in order to consider the Accounts prior to release for public inspection. It was noted that this would necessitate moving the date of the next Audit, Governance and Standards Committee meeting to early December in order to provide time for public inspection to be concluded on the 2022-23 Accounts. It was highlighted that none of the accounts for 2020-21 to 2022-23 had been audited by External Auditor and the audit opinions would be submitted to the December meeting in light of the announcement of the backstop deadline by the Government, as per discussion under Minute Item No. 34 earlier in the meeting.

The Committee was asked to nominate Members to sit on the Audit Task Group. The Members nominated were Councillors Monaco, Holz, Davies and Fardoe. The nominations were seconded and on being put to the vote agreed.

RESOLVED that

- 1) The Audit Task Group be established, and Councillors Claire Davies, James Fardoe, Chris Holz, and Gemma Monaco be appointed to the Audit Task Group.**
- 2) Progress on the 2020-21, 2021-22 and 2022-23 Audit processes be noted.**

39. RISK CHAMPION UPDATE

The Council's Risk Champion, Councillor Kane, provided an update which recapped on the current Corporate Risks. The Risk Champion stated that Council officers had recently attended the Protective Security Briefing at which key points were highlighted to local authorities including:

- Local authorities had a legal duty to protect people using public venues under the Martyn's Law.
- The importance of 'Think before you Link' campaign, including the importance of Elected Members and Officers

Audit, Governance & Standards Committee

Thursday, 26th September, 2024

being able to identify fake profiles online and being able to spot suspicious links.

- The risk of Planning Applications being open to cyber threats, particularly as they often contain sensitive information about a locality, including data on critical places. It was highlighted that planning application process could be made more secure as sensitive information could be easily included in a public domain.

It was highlighted by the Risk Champion the cyber security was a key risk to the Council and urged Members and Officers to actively engage to mitigate this risk. It was highlighted that the Council had successfully renewed its cyber insurance policy. In addition, KnowBe4 functionality and the associated penetration tests were assisting Members and Officers in mitigating the cyber security risk, and the recommendation made at the last Audit Committee to Mandate cyber training for elected Members would go further in mitigating against cyber risk.

RESOLVED that

the Risk Champion update be noted.

40. COMMITTEE WORK PROGRAMME

The Committee was advised that the date of the next Committee meeting, currently scheduled for 28th November 2024, would need to be rescheduled to a date in early December in order for the Committee to consider the draft Statements of Accounts for 2022-23.

Councillors would be contacted with regard to the new date in due course.

RESOLVED that

the changes to the Committee's Work Programme be noted as per the preamble above.

**Audit,
Governance &
Standards
Committee**

Thursday, 26th September, 2024

and closed at 9.03 pm

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024****External Auditors Report**

Relevant Portfolio Holder	Cllr Ian Woodall Executive Member for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Interim Head of Finance & Customer Services Contact email: Debra.Goodall@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Key Decision / Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee **RECOMMEND** that:

- 1) The “Disclaimer Opinion” from the External Auditors for the 2020/21 Accounts is accepted.
- 2) The “Disclaimer Opinion” from the External Auditors for the 2021/22 Accounts is accepted.
- 3) The “Disclaimer Opinion” from the External Auditors for the 2022/23 Accounts is accepted pending the completion of the Public Inspection Period.
- 4) The “Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop” is understood, accepted and approved.

2. BACKGROUND

- 2.1 One of the legislative reporting requirements the Council has not achieved has been the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Bromsgrove District Council (BDC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service. This Section 24 Statement was extended to also include the 2021/22 and 2022/23 financial years in the 2021/22 & 2022/23 Draft External Auditors Report.
- 2.2 Draft 2020/21 and 2021/22 accounts have been presented and placed on the Councils Website and the 30 days public consultation period fulfilled. The draft 2022/23 accounts were published on the Councils website for public consultation on the 28 November 2024. They will only have 11 days, not the full 30 days, of public consultation before the Government imposed Backstop Date of the 13th December 2024.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024**

- 2.3 This report and specifically the appendices set out the External Auditors view of these accounts within the revised accounting arrangements due to the Government imposed Backstop Date for the delivery of accounts up to the 2022/23 financial year.

Legislative Requirements

- 2.4 Following the General Election in July 2024, the New Minister of State for Housing, Communities and Local Government Jim McMahon OBE MP wrote to Councils noting the significant and unacceptable backlog of unaudited accounts. This situation undermines trust and transparency in the way taxpayers' money is being spent and auditors cannot focus on up-to-date accounts, where assurance is most valuable.
- 2.5 To tackle the backlog, The Minister has laid secondary legislation and this legislation was approved on the 9th September to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 must be signed off by the 30th December 2023.

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.6 As set out in the September 2024 report, the Minister expects that there will be full assurance, with "clean" opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue 'disclaimed' audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.
- 2.7 Our present External Auditors, Grant Thornton, as set out in the September meeting of this Committee, consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, their expectation was that they would apply the backstop for the 2020/21, 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then their proposed audit reports will be issued as a disclaimer of opinion. Effectively this means that they will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.
- 2.8 In plain terms, a disclaimer means that the Auditors have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024**

authority failing. Where however they consider that there have been weaknesses in local authority arrangements for accounts closedown, they will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should they have identified any issues during the audit which ordinarily would have impacted our opinion, they will give consideration to how these should be reported in the disclaimer of opinion.

2.9 Before the Grant Thornton issue a disclaimer of opinion, they will:

- Report any matters arising from the audit which we need to share with you under the auditing standards; and
- Share the wording of the draft disclaimer of opinion with the Council.

2.10 To help Grant Thornton to meet the backstop requirements, the Council need to have :

- Completed a letter of representation in respect of the financial statements before Grant Thornton can issue a disclaimer;
- Confirm the Council has adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations;
- Confirm the Council has met the requirements under legislation in terms of the rights of local electors to inspect the accounts ; and
- Confirm the Council has set aside a date for an Audit Committee in advance of 13 December 2024. This is that meeting.

2.11 The council's position on these key Closure deliverables are as follows:

- Closure 2020/21
 - Draft accounts placed on Council website for Public Consultation on 17th June 2024. Public consultation completed by the backstop date.
- Closure 2021/22
 - Draft accounts placed on Council website for Public Consultation on the 23rd October 2024. Public consultation completed by the backstop date
- Closure 2022/23
 - Draft accounts placed on Council website so Public Consultation starts on the 2nd December 2024. The 30 days Public Consultation period will not be completed until Friday the 15th January. This is outside the backstop date.

2.12 The Council's External Auditors Grant Thornton, under the present backstop legislation have delivered a "Disclaimer Opinion" for all three years accounts. These are included as Appendices A to C. They have also produced "Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop" which is set out in Appendix D. The Council, it's Members, Officer and Stakeholders need to understand and approve the contents of these documents and the context within which they are made.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024**

- 2.13 The Financial Compliance Report, also on this agenda, comments on delivery against items listed within these reports and the draft External Auditors Reports for 2020/21 and 2021/22 to 2022/23.

3. FINANCIAL IMPLICATIONS

- 3.1 This paper sets out the financial frameworks within which the Council works. The Closure of accounts process and the associated audit process confirms the overall financial position of the Council.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the Borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 There are no direct climate change implications arising as a result of this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

- 6.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

- 6.2 Operational implications have been dealt with as part of the 2023/24 MTFP and 2024/25 MTFP, quarterly monitoring and the Closedown process of all three years.

7. RISK MANAGEMENT

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy. The closure of the three years accounts and submission of an audit opinion is key to ensuring there is external validation to the Councils overall financial position.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024**

- 7.2 The Impact of the government imposed “backstop position”, which has led to “disclaimer opinions here and also at numerous other Councils is still to be understood and remains a significant risk.

8. **BACKGROUND PAPERS**

Statement of Accounts 2019/20 and associated Audit Opinions.

9. **Appendices**

Appendix A – Report on the Audit of the Financial Statements 2020/21

Appendix B – Report on the Audit of the Financial Statements 2021/22

Appendix C – Report on the Audit of the Financial Statements 2022/23

Appendix D – Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop

This page is intentionally left blank

APPENDIX A

Independent auditor's report to the members of Redditch Borough Council**Report on the Audit of the Financial Statements****Disclaimer of opinion**

We were engaged to audit the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement for the Council and Group, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account, the Movement on the HRA Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or the group's financial statements for the year ended 31 March 2021 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2021 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 31 October 2022 we made one written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to issues with financial systems which further impact on key statutory returns and related financial governance arrangements. We recommended that the Authority should:

- ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the Enterprise Resource Planning (ERP) system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
- undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 Revenue Outturn and Capital Outturn submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

Responsibilities of the Authority, the Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained in the Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit, Governance and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter except on 31 October 2022 we identified:

- Two significant weaknesses in the Authority's governance arrangements. This was in relation to:
 - The Authority having not been able to produce the draft statement of accounts for 2020/21 due to long-standing issues with its new ledger system which resulted in delays. We made a written recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 relating to this significant weakness. This written recommendation is reported within 'Matters on which we are required to report by exception' section of this report.
 - An internal audit report from June 2019 identified a significant weakness in risk management arrangements and since that date, no formal update reports had been provided to Members nor had a Corporate Risk Register been presented. We recommended that the Authority review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions.
- Two significant weaknesses in the Authority's arrangements for financial sustainability. This was in relation to:
 - The Medium-Term Financial Plan presented to Executive on 16 February 2021, covering the period from 2021/22 to 2024/25, which includes savings which are not fully worked up, based on robust evidence and approved by Members. We recommended that any plans presented to Members is completely transparent regarding the financial challenges and any savings schemes are fully worked up and approved by Members in advance.
 - The Authority did not present the Capital Strategy or Treasury Management Strategy to Executive or Council in 2020/21. This is a requirement of the CIPFA Code of Audit Practice on Treasury Management and the CIPFA Prudential Code. We recommended

that the Authority ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in accordance with relevant Codes of Practice.

- Two significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation to:
 - In June 2019, the Authority approved a contract for the implementation of a new financial ledger system. Significant issues remained 19 months after implementation with the cash receipting part of the system not functioning as intended. We recommended that the Authority improve management of key projects to ensure that expected benefits are realised. As part of this, the Authority needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.
 - The last performance management report to Executive being 10 July 2018, which pre-dates the COVID-19 pandemic and decision makers are therefore unable to publicly monitor the Authority's performance and identify areas for improvement. We recommended that the Authority should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Redditch Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

This page is intentionally left blank

APPENDIX B

Independent auditor's report to the members of Redditch Borough Council**Report on the Audit of the Financial Statements****Disclaimer of opinion**

We were engaged to audit the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Account, the Group Comprehensive Income and Expenditure Account, the Movement in Reserves Statement for Council and Group, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account, the Movement on the HRA Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except:

On 31 October 2022 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to issues with financial systems and related financial governance arrangements. We recommended that the Authority should:

- ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the Enterprise Resource Planning (ERP) system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
- undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 Revenue Outturn and Capital Outturn submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

On 23 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

Responsibilities of the Authority, the Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as

applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit, Governance and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except:

- On 31 October 2022 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. The Authority had not been able to produce the draft statement of accounts for 2020/21 due to long-standing issues with its new ledger system which had resulted in delays. We made a written recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 relating to this significant weakness.

On 23 November 2023 we made a further statutory written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to this significant weakness in governance and financial sustainability. These written recommendations are reported within 'Matters on which we are required to report by exception' section of this report. This significant weakness in arrangements remains in place for the year ended 31 March 2022.

- On 31 October 2022 we identified a further significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. An internal audit report from June 2019 identified a significant weakness in risk management arrangements and since that date, no formal update reports had been provided to Members nor had a Corporate Risk Register been presented. We recommended that the Authority review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. During 2021/22, there was no formal risk reporting arrangements at the Authority. Therefore,

the significant weakness in the Authority's arrangements remains in place for the year ended 31 March 2022.

- On 31 October 2022 we identified significant weakness in the Authority's governance arrangements for the year ended 31 March 2022. There were no clear budget monitoring activities undertaken during the 2021/22 financial year, with inadequate reporting being provided to Members with regards to the financial position of the Authority to allow Members to scrutinise, challenge and make properly informed decisions. We recommended that the Authority ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.
- On 31 October 2022 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for the year ended 31 March 2021. The last performance management report to Cabinet was 30 May 2018, which pre-dates the COVID-19 pandemic and decision makers were therefore unable to publicly monitor the Authority's performance and identify areas for improvement. We recommended that the Authority should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. During 2021/22, the Authority did not publish performance reports therefore the significant weakness in arrangements remains in place for the year ended 31 March 2022.
- On 31 October 2022 we identified a significant weakness in the Authority's arrangements for financial sustainability for the year ended 31 March 2021. The Council had not presented the Capital Strategy or Treasury Management Strategy to Executive or Council in 2020/21. This is a requirement of the CIPFA Code of Audit Practice on Treasury Management and the CIPFA Prudential Code. We recommended that the Council ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in accordance with relevant Codes of Practice. During 2021/22, the Authority did not present the reports to Executive or Council therefore the significant weakness in arrangements remains in place for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and

commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Redditch Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

This page is intentionally left blank

APPENDIX C

Independent auditor's report to the members of Redditch Borough Council**Report on the audit of the financial statements****Disclaimer of opinion**

We were engaged to audit the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cashflow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The latest date on which unaudited accounts could be published to enable local elector rights to be met in time for the backstop was 31 October 2024. The authority published its unaudited accounts on XXX. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 as soon as reasonably practicable after the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except:

On 31 October 2022 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to issues with financial systems and related financial governance arrangements. We recommended that the Authority should:

- ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the Enterprise Resource Planning (ERP) system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
- undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 Revenue Outturn and Capital Outturn submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

On 23 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

Responsibilities of the Authority and the Director of Finance and Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter:

- On 31 October 2022 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. The Authority had not been able to produce the draft statement of accounts for 2020/21 due to long-standing issues with its new ledger system which had resulted in delays. We made a written recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 relating to this significant weakness.

On 23 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to this significant weakness in governance and financial sustainability. These written recommendations are reported within 'Matters on which we are required to report by exception' section of this report. This significant weakness in arrangements remains in place for the year ended 31 March 2023.

- On 23 November 2023, we identified and reported a further significant weakness in the Authority's governance arrangements. This was in relation to organisational capacity and capability, which impacts on the Authority's ability to deliver business as usual as well as strategic extraordinary projects. We recommend that the Authority direct effort towards embedding and stepping up the Workforce Strategy objectives and ensures there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Redditch Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:



29 November 2024

To Audit, Governance and Standards Committee Chair
Cllr Monaco
Town Hall
Walter Stranz Square
Redditch
B98 8AH

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

T +44 (0)11 7305 7600
grantthornton.co.uk

Dear Cllr Monaco,

Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which came into force on 30 September 2024 set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code which was approved by Parliament on the 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Director of Finance and Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete our audits for 2020/21, 2021/22 and 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of these disclaimers for the attention of the Audit, Governance and Standards Committee.

You will also be aware that to issue an opinion on the financial statements, the Council needs to have published them in draft and completed the relevant public inspection period. The Council did not publish 2022/23 draft financial statements in sufficient time to allow any public inspection period to conclude prior to 13 December 2024, and therefore we cannot issue a 2022/23 opinion at this time. We will seek to do so as soon as is possible following the conclusion of the relevant public inspection period.

We are required under Auditing Standards to report certain matters to the Audit, Governance and Standards Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2020/21, 2021/22 and 2022/23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The main reason for the application of the backstop is that the completion of the 2020/21 audit was delayed as the Authority was unable to produce its 2020/21 draft Statement of Accounts due to long-standing issues with its new ledger system in relation to cash receipting which required a resolution.

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grantthornton.co.uk for further details.

Resultantly, the 2020/21 draft financial statements were only produced and issued in June 2024. We had agreed with the Council that the audit of the financial statements for the year ended 31 March 2022 and 31 March 2023 would not commence until the previous audit was concluded. This meant there was no realistic prospect of the audit of Council's financial statements for 2020/21, 2021/22 and 2022/23 being completed in advance of the 13 December 2024 backstop.

As we set out above, we will not be able to issue an opinion on the draft 2022/23 financial statements as the Council has yet to produce and publish these and complete the required statutory public inspection period.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice – 2020/21

We undertook our Value for Money work for the year ended 31 March 2021 and reported the outcome in an interim Auditor's Annual Report presented to the Audit, Governance and Standards Committee on 10 November 2022.

We have nothing to report in respect of the above except on 31 October 2022, we identified and reported significant weaknesses in the Authority's arrangements for financial sustainability, governance and for improving economy, efficiency and effectiveness. This was in relation to:

- The Medium-Term Financial Plan presented to Executive on 16 February 2021, covering the period from 2021/22 to 2024/25, includes savings which are not fully worked up, based on robust evidence and approved by Members. We recommended that any plans presented to Members is completely transparent regarding the financial challenges and any savings schemes are fully worked up and approved by Members in advance.
- The Council has not presented the Capital Strategy or Treasury Management Strategy to Executive or Council in 2020/21. This is a requirement of the CIPFA Code of Audit Practice on Treasury Management and the CIPFA Prudential Code, and provides management with assurance over the two strategies, including the Minimum Revenue Provision policy and the approved borrowing limits. We recommended that the Council ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in accordance with relevant Codes of Practice.
- In June 2019, the Authority approved a contract for the implementation of a new financial ledger system which would integrate financial, human resources and payroll and supply chain information in a single electronic system. Significant issues remained 19 months after implementation with the cash receipting part of the system not functioning as intended. We recommended that the Authority improve management of key projects to ensure that expected benefits are realised. As part of this, the Authority needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.
- An internal audit report from June 2019 identified significant weaknesses in risk management arrangements and since that date, no formal update reports have been provided to Members nor has a Corporate Risk Register been presented. We recommended that the Authority review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this, the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.
- The last performance management report to Executives was 10 July 2018, which pre-dates the COVID-19 pandemic and decision makers are therefore unable to publicly monitor the Authority's performance and identify areas for improvement. We recommend that the Authority should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. We recommended that the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice a year.

- There are no clear budget monitoring activities undertaken with inadequate reporting being provided to Members with regards to the financial position of the Authority to allow Members to scrutinise, challenge and make properly informed decisions. This related to 2021/22 and reported it early in our AAR as we were aware of it at the time, arrangements for 2020/21 were appropriate. We recommended that the Authority ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention.

Redditch Borough Council has been subject to statutory recommendations as outlined below:

- On 31 October 2022, we made one written statutory recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should:
 - ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the ERP system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
 - undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
 - ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice – 2021/22

We undertook our Value for Money work for the year ended 31 March 2022 and reported the outcome in a combined interim Auditor's Annual Report and presented to the Audit, Governance and Standards Committee on 23 November 2023.

We have nothing to report in respect of the above except on 23 November 2023, we identified and reported significant weaknesses in the Authority's arrangements for financial sustainability, governance and for improving economy, efficiency and effectiveness. This was in relation to:

- The Medium-Term Financial Plan presented to Executive on 16 February 2021, covering the period from 2021/22 to 2024/25, includes savings which are not fully worked up, based on robust evidence and approved by Members. We recommended that any plans presented to Members is completely transparent regarding the financial challenges and any savings schemes are fully worked up and approved by Members in advance.

- The Council has not presented the Capital Strategy or Treasury Management Strategy to Executive or Council in 2021/22. This is a requirement of the CIPFA Code of Audit Practice on Treasury Management and the CIPFA Prudential Code, and provides management with assurance over the two strategies, including the Minimum Revenue Provision policy and the approved borrowing limits. We recommended that the Council ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in accordance with relevant Codes of Practice.
- In June 2019, the Authority approved a contract for the implementation of a new financial ledger system which would integrate financial, human resources and payroll and supply chain information in a single electronic system. Significant issues remained 19 months after implementation with the cash receipting part of the system not functioning as intended. We recommended that the Authority improve management of key projects to ensure that expected benefits are realised. As part of this, the Authority needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.
- An internal audit report from June 2019 identified significant weaknesses in risk management arrangements and since that date, no formal update reports have been provided to Members nor has a Corporate Risk Register been presented. We recommended that the Authority review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this, the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.
- The last performance management report to Executives was 10 July 2018, which pre-dates the COVID-19 pandemic and decision makers are therefore unable to publicly monitor the Authority's performance and identify areas for improvement. We recommend that the Authority should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. We recommended that the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice a year.
- There are no clear budget monitoring activities undertaken with inadequate reporting being provided to Members with regards to the financial position of the Authority to allow Members to scrutinise, challenge and make properly informed decisions. We recommended that the Authority ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention.

Redditch Borough Council has been subject to statutory recommendations as outlined below:

- On 31 October 2022, we made one written statutory recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should:
 - ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the ERP system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
 - undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
 - ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
 - produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
 - conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns include Whole of Government Accounts; and
 - ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.
- on 23 November 2023 we made a further statutory recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should:
 - produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice – 2022/23

We undertook our Value for Money work for the year ended 31 March 2023 and reported the outcome in a combined Annual Audit Report and presented to the Audit, Governance and Standards Committee on 23 November 2023.

We have nothing to report in respect of the above except on 23 November 2023, we identified and reported significant weaknesses in the Authority's arrangements for financial sustainability, governance and for improving economy, efficiency and effectiveness. This was in relation to:

- approximately 10% of the Authority's workforce were temporary/interim arrangements and two out of three of the statutory officers are interim, which impacts on the Authority's ability to deliver business as usual as well as strategic extraordinary project. We recommend that the Authority directs effort towards embedding and stepping up the Workforce Strategy objectives and ensure there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention.

Redditch Borough Council has been subject to statutory recommendations as outlined below:

- On 31 October 2022, we made one written statutory recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should:
 - ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the ERP system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
 - undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and

- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
 - produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
 - conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns include Whole of Government Accounts; and
 - ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.
- on 23 November 2023 we made a statutory recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should:
 - produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

Independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements covering 2020/21, 2021/22 and 2022/23. We will ask for a 2022/23 letter to be issued once the draft financial statements have been produced and subject to the statutory public inspection period. This will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. You should work with your incoming external auditor on these matters.

Yours sincerely
Jackson Murray

For Grant Thornton UK LLP

CC Director of Finance and Resources

Attachments: Draft Disclaimer of Opinion 2020/21, 2021/22 and 2022/23

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Redditch Borough Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Governance and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit, Governance and Standards Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

An audit plan was issued for the 2020/21 financial year which was considered at the 14 April 2022 Audit, Governance and Standards Committee. We were unable to issue an audit plan in respect of the 2021/22 and 2022/23 financial years.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for the audit of the year ended 31 March 2021, 31 March 2022 and 31 March 2023.

Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be

necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates;
- the authority's financial reporting framework;
- the authority's system of internal control for identifying events or conditions relevant to going concern; and
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non-audit fees

PSAA set a scale fee for 2020/21 of £44,629, 2021/22 of £47,129 and 2022/23 of £53,692. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year.

Based upon the time charged to date, we currently propose fees of:

2020/21 - £41,744
 2021/22 - £20,000
 2022/23 – TBC once financial statements completed

We have also undertaken the following non audit work in respect of the year.

Audit Service	Proposed Fee	Final Fee
Audit of housing benefits grant return year ending 31 March 2021	£28,000	£29,200
Audit of the pooling housing capital receipts return year ending 31 March 2021	£2,750	£5,000
Audit of housing benefits grant return year ending 31 March 2022	£28,000	£28,000
Audit of the pooling housing capital receipts return year ending 31 March 2022	£15,000	£7,500
Audit of housing benefits grant return year ending 31 March 2023	£29,600	£32,810
Audit of the pooling housing capital receipts return year ending 31 March 2023	£20,000	£10,000

The fees do not reconcile to the financial statements, so we have provided a reconciliation (note the 2022/23 financial statements have yet to be published at the time of publication of this report):

	31 March 2021	31 March 2022
Audit fees per financial statements	£68,000	£71,000
Accrual for additional fees	(£23,371)	(£23,871)
Total audit fees per above	£44,629	£47,129
Certification of grants per financial statements	£28,000	£28,000
Accrual over or underestimated	£6,200	£6,500
Total grant fees per above	£34,200	£35,500

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total proposed fees for the audits and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

We have considered whether our grant claim work represents a threat to independence. We are satisfied that it is not a threat, on the basis that grant claim work is carried out under instructions set by government, is undertaken on a routine basis each year, and has been assessed by the NAO in AGN 01 as not counting against the non-audit cap.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Financial Compliance Report**

Relevant Portfolio Holder	Cllr Ian Woodall Executive Member for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author: Debra Goodall	Job Title: Head of Finance & Customer Services Contact email: debra.goodall@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
Exempt Information – None	

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee RESOLVE that:

- 1) Following the receipt of the “Disclaimer Opinion” from the External Auditors for the 2020/21 Accounts that these accounts are approved.
- 2) Following the receipt of the “Disclaimer Opinion” from the External Auditors for the 2021/22 Accounts that these accounts are approved.
- 3) That the Chairman of the Audit, Governance and Standards Committee is delegated authority to approve the 2022/23 Accounts following the completion of the Statutory 30-day Public Consultation.
- 4) The External Auditor’s “letter to those charged with governance on the application of the local authority backstop” be noted and outstanding actions followed up in subsequent Audit, Governance and Standards Committee meetings.
- 5) The process for inducting the Council’s new External Auditors, Ernst and Young, be noted.
- 6) The process and progress to date on the delivery of the 2023/24 accounts be noted.

To RECOMMEND to Executive

- 7) Any areas of concern within this key compliance report for consideration.

2. BACKGROUND

- 2.1 From a Governance point of view, the financial framework under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when. The Accounting Policies report which

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

was tabled at the Audit, Standards and Governance Committee on the 23rd March 2023 set out the Financial Governance Framework, and associated references to key documentation, that the Council, its Member and Officers work to. This are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Executive Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged.
- **Financial Procedure Rules** which are set out in Part 14 of the Constitution. These “operational policies” run to 36 pages and set out how the organisation financially runs its “day to day” business.
- **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.

2.2 Audit Committee training was undertaken on the 28th May, and Local Government Finance training was given on the 30th July.

2.3 One of the legislative reporting requirements the Council had not achieved is the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Bromsgrove District Council (BDC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service.

2.4 Draft 2020/21, 2021/22 have been presented and placed on the Councils Website and the 30 days public consultation period fulfilled. The draft 2022/23 accounts were published on the Councils website for public consultation on the 2nd December. They will only have 9 days, not the full 30 days., of public consultation before the Government Imposed Backstop date of the 13th December 2024.

2.5 The 2023/4 Accounts need to be delivered and have 30 days public consultation by the 28th February 2025. This report sets out the process to be followed.

2.6 The 2024/5 budget was approved at Council on the 26th February 2024.

Legislative Requirements

2.7 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.

2.8 The following are key legislative deliverables, which were circulated by the Government in December 2023 for the period December 2023, through the 2024/5 financial year. Delivery against these requirements will be set out in the final column of the table.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Form	Code	Description	Proposed Dispatch	Deadline	Proposed Publication	Position
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2023-24	15-Dec-23	19-Jan-24	15-Feb-24	Delivered 26/1/24
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2024-25	15-Dec-23	31-Jan-24	21-Feb-24	Delivered 9/2/24 (Civica issue)
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2023-24	15-Dec-23	12-Jan-24	14-Feb-24	Delivered 15/2/24 (Civica issue)
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2023-24	15-Dec-23	08-Jan-24	15-Feb-24	Delivered 17/1/24
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2023-24 data and forecast end year local authority revenue expenditure update.	15-Dec-23	26-Jan-24	07-Mar-24	Delivered 19/2/24
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2024-25 and Council tax levels for 2024-25 set by parishes.	02/02/2024 (tbc)	11-Mar-24	21-Mar-24	Delivered 26/2/24
of which: Parish council tax	-	-	-	11-Mar-24	08-May-24	Delivered 26/2/24
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2024-25 Budget	16-Feb-24	05-Apr-24	20-Jun-24	Draft completed. 8/4/24
Capital Estimates Return	CER	Capital forecast for 2024-25	23-Feb-24	22-Mar-24	13-Jun-24	Delivered 22/3/24
Non-Domestic Rates Outturn- unaudited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- provisional data	28-Mar-24	30-Apr-24	10-Jul-24	Draft delivered to Pool 14/4/24
Non-Domestic Rates Outturn- audited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- final data	n/a	30-Sep-24	15-Nov-24	Delivered 30/09/24
Quarterly Borrowing & Lending - Q4	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2023-24	22-Mar-24	05-Apr-24	13-Jun-24	Delivered 5/4/24

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Capital payments & receipts Q4 and provisional outturn	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2023-24. Expanded collection, used as provisional outturn.	22-Mar-24	19-Apr-24	13-Jun-24	Delivered 29/4/24
Council Tax & NDR Collection - Q4	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2023-24 and Q4 2023-24	12-Apr-24	03-May-24	19-Jun-24	Delivered 7/5/24
Capital Outturn Return	COR	Final capital outturn figures for 2023-24	26-Apr-24	26-Jul-24	10-Oct-24	Delivered 29/07/24
Revenue Outturn suite - provisional	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (provisional)	26-Apr-24	28-Jun-24	29-Aug-24	Delivered 19/7/24
Revenue Outturn suite - certified	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (final)	n/a	11-Oct-24	12-Dec-24	Extension agreed with MHCLG
Exit payments	-	Local authority exit payments 2023-24	03-May-24	07-Jun-24	18-Jul-24	Delivered 30/06/2024
Quarterly Borrowing & Lending - Q1	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2024-25	24-Jun-24	05-Jul-24	08-Aug-24	Delivered 05/07/24
Quarterly Revenue Update - Q1	QRU1	Q1 2024-25 data and forecast end year local authority revenue expenditure update	28-Jun-24	02-Aug-24	12-Sep-24	Delivered 2/08/24
Capital Payments & Receipts - Q1	CPR1	Cumulative capital expenditure and receipts for Q1 2024-25	21-Jun-24	19-Jul-24	08-Aug-24	Delivered 19/07/24
Council Tax & NDR Collection - Q1	QRC1	Quarterly return of how much council tax and non-domestic rates are collected in Q1 2024-25	21-Jun-24	12-Jul-24	14-Aug-24	Delivered 01/07/24
Local Government Pension Funds	SF3	Collect information on income and expenditure on local government pension schemes for 2023-24	05-Jul-24	13-Sep-24	23-Oct-24	Delivered 21/06/24
Council Tax Base/ Supplementary	CTB	Information about the 2024 council tax base for each billing authority.	20-Sep-24	11-Oct-24	06-Nov-24	Delivered 11/10/24
Quarterly Borrowing & Lending - Q2	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2024-25	23-Sep-24	04-Oct-24	14-Nov-24	Delivered 02/10/24

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Quarterly Revenue Update - Q2	QRU2	Quarter 1 & 2 2024-25 data and forecast end year local authority revenue expenditure update	20-Sep-24	25-Oct-24	05-Dec-24	Delivered 25/10/24
Capital Payments & Receipts - Q2	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2024-25	20-Sep-24	20-Oct-24	14-Nov-24	Delivered 21/10/24
Council Tax & NDR Collection - Q2	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2024-25	20-Sep-24	04-Oct-24	20-Nov-24	Delivered 11/10/24
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2024-25	13-Dec-24	17-Jan-25	13-Feb-25	
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2025-26	13-Dec-24	31-Jan-25	19-Feb-25	
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2024-25 data and forecast end year local authority revenue expenditure update.	13-Dec-24	24-Jan-25	06-Mar-25	
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2024-25	13-Dec-24	06-Jan-25	13-Feb-25	
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2024-25	13-Dec-24	10-Jan-25	12-Feb-25	
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2025-26. Council tax levels for 2025-26 set by parishes	Early Feb 2025	12-Mar-25	20-Mar-25	
of which: Parish council tax	-	-	Early Feb 2025	12-Mar-25	07-May-25	
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2025-26 Budget	14-Feb-25	04-Apr-25	19-Jun-25	
Capital Estimates Return	CER	Capital forecast for 2025-26	21-Feb-25	21-Mar-25	12-Jun-25	
Monthly Borrowing & Lending	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public	5 working days before 1st working day of the month	Day 5 of each month	for quarter months only, see QB1, QB2, QB3, QB4 dates	Delivered to date

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

		Sector Finance Statistics				
Local Government Finance Statistics	LGFS33	Annual compilation of finance data collected from local authorities covering out-turn data for 2022-23	N/A	N/A	Spring 2024	

Pooling of Housing Capital Receipts – 23/4 Delivered

2.9 In wider sets of deliverables (outside the 2024/5 DLUHC Listing) we have the following returns that have been delivered:

- **Budget**
 - Delivered by 11th March in preceding financial year – **2024/5 Budget and MTFP delivered 26th Feb 2024**
 - Council Tax Base – Yearly – **2024/25 delivered on 9th January 2024**
 - Council Tax Resolution – **Yearly 2024/5 delivered on 26th February 2024**
 - Council Tax Billing – Yearly – **Bills distributed in March 2024**
- **Policies**
 - Treasury and Asset Management Strategies
 - 2023/4 Outturn Report **delivered in September 24.**
 - 2024/5 Strategy **Approved 26th Feb 2024**
 - 24/25 Q1 report **delivered 3rd September 2024**
 - 24/25 Q2 Report **delivered 26th November 2024**
 - Council Tax Support Scheme – **24/5 Approved on 9th January 2024.**
 - Minimum Revenue Provision – yearly – **Approved as part of the 24/5 MTFP.**
 - Financial Monitoring – **Q1 24/5 in Sept 2024. Q2 in Nov 24**
 - Risk Management – **Q1 24/5 delivered July 24, Q2 delivered Dec 24**
 - Savings Report – **Q1 24/5 delivered in September, Q2 delivered in December**
 - Financial Controls (still in development)
 - Clearance of suspense accounts – now part of the closure of accounts process.
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 and prior year items.**
 - Over £500 spending.
 - **Updated to August 2024.**

The following deliverables, prior to December 2023 are still to be delivered:

- Closure
 - **2023/4 Accounts.**
 - **2020/21 to 22/23 implication of Audit Opinions**
- Government Returns
 - VAT – Monthly
 - **discussions ongoing with HMRC since mid summer 2024.**

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- Revenue Outturn Reports
 - ***Still to be delivered for 21/22, and updates required for 23/24***
- Whole of Government Accounts Returns
 - ***Still to be delivered***

2.10 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2021/22 and the VAT returns. Significant work has been undertaken by the Council's Tax advisors PS Tax in liaison with HMRC in order for the Council to return to normal VAT reporting. A mail from HMRC on progress is attached as **Appendix A**

Update on the Statement of Accounts

- 2.11 Following the General Election in July 2024, the New Minister of State for Housing, Communities and Local Government Jim McMahon OBE MP wrote to Councils noting the significant and unacceptable backlog of unaudited accounts. This situation undermines trust and transparency in the way taxpayers' money is being spent and auditors cannot focus on up-to-date accounts, where assurance is most valuable.
- 2.12 To tackle the backlog, The Minister has laid secondary legislation and this legislation was approved on the 9th September to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 must be signed off by the 30th December 2023.

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.13 As set out in the September 2024 report, the Minister expects that there will be full assurance, with "clean" opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue 'disclaimed' audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.
- 2.14 Our present External Auditors, Grant Thornton, as set out in the September meeting of this Committee consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, their expectation is that they will apply the backstop for the 2020/21, 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then their proposed audit reports will be issued as

REDDITCH BOROUGH COUNCILAudit, Governance and Standards Committee 10th December 2024

a disclaimer of opinion. Effectively this means that they will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

- 2.15 In plain terms, a disclaimer means that the Auditors have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however they consider that there have been weaknesses in local authority arrangements for accounts closedown, they will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should they have identified any issues during the audit which ordinarily would have impacted our opinion, they will give consideration to how these should be reported in the disclaimer of opinion.
- 2.16 Before the Grant Thornton issue a disclaimer of opinion, they will:
- Report any matters arising from the audit which we need to share with you under the auditing standards; and
 - Share the wording of the draft disclaimer of opinion with the Council.
- 2.17 To help Grant Thornton to meet the backstop requirements, the Council need to have :
- Completed a letter of representation in respect of the financial statements before Grant Thornton can issue a disclaimer;
 - Confirm the Council has adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations;
 - Confirm the Council has met the requirements under legislation in terms of the rights of local electors to inspect the accounts ; and
 - Confirm the Council has set aside a date for an Audit Committee in advance of 13 December 2024. This is that meeting.
- 2.18 The council's position on these key Closure deliverables are as follows:
- Closure 2020/21
 - Draft accounts placed on Council website for Public Consultation in 17th June 2024.
 - The Letter of Representation has been completed (**Appendix B**).
 - The 30 days Public Consultation period has been complied with.
 - The External Auditors audit process set out in para 2.14 above be noted, as this is substantially different from other financial years.
 - That, in another report on this evening's agenda, the Council has received the "Report on the audit of the financial statements 2020/21" and a wider letter "Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop from the External Auditors.
 - That following the receipt of those letters that this Committee formally approve the 2020/21 Accounts.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- Closure 2021/22
 - Draft accounts placed on Council website for Public Consultation on the 23rd October 2024.
 - The Letter of Representation has been completed (**Appendix B**).
 - The 30 days Public Consultation period has been complied with.
 - The External Auditors audit process set out in para 2.14 above be noted, as this is substantially different from other financial years.
 - That, in another report on this evening's agenda, the Council has received the "Report on the audit of the financial statements 2020/21" and a wider letter "Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop from the External Auditors.
 - That following the receipt of those letters that this Committee formally approve the 2021/22 Accounts

- Closure 2022/23
 - Draft accounts placed on Council website so Public Consultation starts on the 28th November 2024.
 - The Letter of Representation has been completed (**Appendix B**).
 - The 30 days Public Consultation period only started on the 2nd December and so will not be completed until Friday the 22nd January. This is outside the backstop date.
 - The External Auditors audit process set out in para 2.14 above be noted, as this is substantially different from other financial years.
 - That, in another report on this evening's agenda, the Council has received the "Report on the audit of the financial statements 2022/23" and a wider letter "Redditch Borough Council: Conclusion of the audit for 2020/21, 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop from the External Auditors.
 - That following the receipt of those letters that this Committee delegate authority to the chair of the Committee formally approve the 2020/21 Accounts following the completion of the public consultation period on the 22nd January.

Updated Accounts are set out in **Appendix C**.

- 2.19 As per the requirement of the Draft External Auditors Report 21/22 and 22/23 on the 27th November 2023, the External Auditors made a further written recommendation of the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. They recommended that the authority should produce "true and fair" draft accounts for 2020/21, 2021/22 and 2022/23 signed off by the S151 Officer and supported by high quality working papers. This has now been complied with although given the instigation by the Government of the backstop date and the requirement of "disclaimer opinion" audits across the Country it is not clear how the new Auditors will frame their 2023/4 External Audit Report in respect of this matter

As has been reported previously the combined 2021/21 & 2022/23 Draft External Audit Report set out that:

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- The S24 Recommendation still in place and extended for 2021/2 and 2022/3 Accounts.
- 5 of the 6 2020/21 Key Recommendations either delivered or now linked to Improvement Recommendations.
- 9 of 13 2020/21 Improvement Recommendations either fully or partially delivered.
- There was one new Key Recommendation – linked to Workforce Strategy.
- There were ten updated Improvement Recommendations.

2.20 In terms of those Draft External Audit Reports the following progress has been made against recommendations (Key and Improvement):

- The Accounting Policies Report goes to every Audit Committee.
- The key closure deliverables for each financial year are clearly set out. The owners of these deliverables are the S151 and Deputy S151 Officers.
- Progress on key financial and compliance indicators are reported monthly to CMT and to both Audit Committees bi-monthly by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group.
- Delivery of Financial training detailed in this document will move staff to right level of skills.
- TechOne has been upgraded to version 23A in July 2023.
- Quarterly combined financial and performance monitoring started in the 2022/23 financial year and has continued in 2024/5 with Q1 and Q2 delivered.
- The 2024/5 MTFP process has been completed in both Councils and the 2025/6 process started.
- Risk workshops are still to be run to assess Risk Appetite of Executive and Audit Committees. This will happen across both Council now the Redditch elections have been completed.
- A Treasury Management strategy, half yearly report, and outturn report are now part of the work programme. 2024/5 Half Yearly Reports have been delivered.
- To address staffing issues, additional posts have been recruited to as the team looks to start to move any from its reliance on external agency/consultants.

In terms of more specific items:

- More Budget Consultation is being addressed in Tranche 1 of the budget through a targeted consultation process.
- Wider savings monitoring is being undertaken by this Committee quarterly.
- Capital and its deliverability will be reviewed as part of the 2025/6 Budget Tranche 2.
- Benchmarking is now incorporated into the budget process (using LG Futures data).
- The Internal Audit Service has been externally assessed in early 2024 and passed that assessment.
- The Council is seeking an independent Audit Committee member and ensures the Committee remains apolitical in nature.
- The whistleblowing policy has been updated and is on today's agenda.
- Procurement and contract rules will be updated by the end of the financial year (to reflect changes to legislation happening in February 2025).
- Performance Indicators are being reviewed and updated following the Strategic Priority setting sessions.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- 2.21 On the 3rd October 2024, the Councils appointed Auditors for 2023/4 onwards Bishop Fleming notified the Council that they were resigning. Their Resignation letter is attached as **Appendix D**. The Council, following liaison with Public Sector Audit Appointments limited for the appointment of alternative Auditors. It was confirmed by the PSAA that Ernst and Young would become the Councils External Auditors on the 24th October, this is shown as **Appendix E**, and that the onboarding process is now starting.
- 2.22 Ernst and Young note that the challenging part of the onboarding process, and where they have had difficulties elsewhere, will be the need to obtain returns from all elected members. The typical time taken to obtain responses from all members elsewhere has ranged from 6-12 months, which we will need to significantly shorten in order to meet the backstop date, and they will appreciate our assistance on this. What has worked elsewhere in shortening these timescales is making completion a step at a physical council meeting when most members would be present. The Officer and Member Onboarding questionnaire is in **Appendix F**. An initial meeting has been set up for the 26th November to have an introductory call.
- 2.23 In terms of the 2023/4 Closure position, discussions are still to be held with Ernst and Young on the actual programme, pending onboarding, but all parties are aware of the backstop date of the 28th February 2025 by what public consultation will have to have been completed.

Closure 2023/24 high level deliverables:

- Draft provisional Outturn Report presented to Executive in July 2024.
- RO/CO Returns have been provided to Government.
- Draft Accounts planned to be available for public consultation in early January in order to comply with Backstop requirements.

Update on the Budget and ongoing Monitoring.

- 2.24 The Councils 2024/25 Budget was approved on the 26th February 2024 at Council. Budgets and are loaded onto TechOne.
- 2.25 Quarter One 2024/5 Financial and Performance monitoring went to Executive in September 2024 and Q2 in November.

Compliance Items

- 2.26 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of both the Draft External Audit Report 2020/21 and the Combined 2021/22 & 2022/23. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Training:**

- Closure Training took place in March with 83 attending.
- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne.
- Mandatory Financial Awareness Training for managers took place in August and September.
- Payments Purchase Order Training takes place monthly.

New tranches of training are being organised

Treasury Management

- The 2023/4 Outturn Report was approved by Council in September.
- The 2024/5 Strategies were approved by Council in February.
- The Q1 and Q2 2024/5 positions have been reported in the Finance and Performance Reports.

Errors:

- Non delivery of GPC Card Data (monthly basis) – still to be started.
- Mis-coding on TechOne per month – by Service Area – work is ongoing to clear the mis-codings on a monthly basis in conjunction with work going on to reconcile previous years.

Procurement:

- The new 'No Compliance No Order' process has been live since April 2023.
- The number of contracts in place is growing regularly. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- Council in July approved an increase of the Key Decision Level from £50k to £200k. Finance and Performance Monitoring Reports now set out:
 - All contracts requiring renewal over the next year that are over the present £200k threshold and these are placed on the forward plan.
 - All contracts requiring renewal over the next year that are between £50k and £200k for reference.
 - All contracts that are being procured by Bromsgrove over this period that relate to Redditch Services.

2.27 The issues with cash receipting Work is ongoing but the closure of 2020/21 through to 2023/4 has reallocated over £125m of income wrongly allocated to suspense accounts.

Summary

2.28 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The 2020/21 to 2022/23 draft Accounts have now been submitted for Public Inspection and Audit and the report sets out the Plan for the delivery of other

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

years accounts. This report is now up to date as at the end of November 2024 and delivered to each Audit, Governance and Standards Committee at Redditch to update it on progress against targets and also alert them to any issues and risks

3. FINANCIAL IMPLICATIONS

- 3.1 This paper sets out the financial frameworks within which the Council works. The Closure of accounts process and the associated audit process confirms the overall financial position of the Council

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the Borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 There are no direct climate change implications arising as a result of this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

- 6.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

- 6.2 Operational implications have been dealt with as part of the 2024/25 MTFP, quarterly monitoring and the Closedown process.

7. RISK MANAGEMENT

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.
- 7.2 The Impact of the government imposed "backstop position", which has led to "disclaimer opinions here and also at numerous other Councils is still to be understood and remains a significant risk.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- 7.3 Deliver of financial data to government is important in their allocation of resources process. It is key that the Council deliver this information to timetable and the required standards

8. BACKGROUND PAPERS

Interim Auditors Annual Report on Redditch Borough Council 2021/22 & 2/22/23 – Audit Governance and Standards Committee November 2023, Council December 2023.

Section 24 Report to Audit and Council – November 2022, November 2023.

Accounting Policies Report – March, June, July, September, November 2023 and January, March, May and July 2024 Audit, Governance and Standards Committee.

Finance Recovery Report – June 2023 and October 2023, January and September 2024 – Executive

Programme Management Office Requirements – July 2023 – Executive

Approvals to Spend Report - July 2023 – Executive

9. Appendices

Appendix A – HMRC Update

Appendix B – Letter of Representation

Appendix C – Final Statement of Accounts 2021/22, 2021/22 and 2022/23

Appendix D – Bishop Flemming Resignation Letter

Appendix E – Ernst and Young Appointment Letter

Appendix F – Officer and Member Onboarding Questionnaire

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix A – HMRC Update**

Good Afternoon Debra,

Thank you for your response and for updating the email protocol permissions for both Bromsgrove District Council and Redditch Borough Council.

I would like to apologise to both councils, for the delay in receiving a response from HMRC to the email sent on their behalf by their agents PsTax on 03 September 2024. That email has since been passed to myself to focus on the VAT position in regard to Redditch Borough Council, whilst my colleague, Neil Cameron, has been assigned the same in regard to Bromsgrove District Council. Given the delay in HMRC responding to the 03 September email, the extension request for the Error Correction Notices until the end of December is granted. Once the ECNs have been received, Neil and I will need to conduct reviews of these and we will likely request information relating to sample periods to confirm that correct VAT treatment has been applied.

Could both councils ensure that all ECNs to correct their VAT returns are submitted to HMRC, on or before 31 December 2024. Please be aware that the 4-year capping limit will begin to come into effect for the oldest periods, beginning in April 2025, so we are keen to avoid any further delays resolving these issues.

If you do have any further questions or concerns regarding this enquiry, please don't hesitate to contact either myself or Neil.

Kind Regards,

Bruce

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix B – Letters of Representation**

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Please contact: Pete Carpenter
Email: peter.carpenter@bromsgroveandredditch.gov.uk
Tel - 07739182594
11th December 2024

Dear Grant Thornton UK LLP

Redditch Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Redditch Borough Council and its subsidiary undertaking Rubicon, for the year ended 31 March 2021.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit net liability. We are satisfied that the material judgements used in the preparation of the financial statements are

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements
- xiv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of the final 202/21 financial statements of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for the 2020/21 year by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangement from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 10 December 2024.

Yours faithfully

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Please contact: Pete Carpenter
Email: peter.carpenter@bromsgroveandredditch.gov.uk
Tel - 07739182594
11th December 2024

Dear Grant Thornton UK LLP

Redditch Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Redditch Borough Council and its subsidiary undertaking Rubicon, for the year ended 31 March 2022.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- xx. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- xxi. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- xxii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xxiii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- xxiv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- xxv. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- xxvi. Except as disclosed in the group and Council financial statements:
- a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xxvii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- xxviii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xxix. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xxx. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xxxi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xxxii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xxxiii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xxxiv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxxvi. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of the final 2021/22 financial statements of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for the 2021/22 year by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 10 December 2024.

Yours faithfully

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Please contact: Pete Carpenter
Email: peter.carpenter@bromsgroveandredditch.gov.uk
Tel - 07739182594
11th December 2024

Dear Grant Thornton UK LLP

Redditch Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Redditch Borough Council and its subsidiary undertaking Rubicon, for the year ended 31 March 2023.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xiv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of the final 2022/23 financial statements of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for the 2022/23 year by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 10 December 2024.

Yours faithfully

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix C – Updating the Statement of Accounts (Separate Document)**

Statements of Accounts are provided after appendix F below in the following order:

- 2020-21 Statement of Accounts – Appendix C1
- 2021-22 Statement of Accounts – Appendix C2
- 2022-23 Statement of Accounts – Appendix C3

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix D – Bishop Fleming Resignation Letter**

Our Ref: --
Your Ref: --
Date: 3 October 2024

**PRIVATE & CONFIDENTIAL**

Peter Carpenter
Chief Finance Officer
Kingfisher Shopping Centre
5 George Walk
Redditch
B97 4HB

Dear Pete

REDDITCH DISTRICT COUNCIL - RESIGNATION

Thank you for the discussion on 26th September 2024

As you will be aware Bishop Fleming LLP was appointed as your external auditor by PSAA on 21 November 2022 for a period of five years. When Bishop Fleming accepted the appointment, whilst there were already delays in local government audit delivery, we were assured that there would be system wide interventions by various supporting bodies to ensure audits got back on track. This has not happened.

Redditch District Council has unaudited accounts for the last three years (2020/21, 2021/22 and 2022/23) (excluding 2023/24 for which we were appointed to audit) and we understand that the incumbent auditor will issue disclaimed opinions for each of these years.

The Council's audit is considered higher risk given the lack of detailed guidance to date on dealing with disclaimed opinions nationally and is above the risk profile of the engagements the Firm can accept. Therefore after much discussion within the Firm and with PSAA, we have decided that we will be unable to continue with any audits with several years of disclaimed opinions and therefore we have no option but to resign from the audit of Redditch District Council.

I appreciate this will be very disappointing for the Council.

We understand that PSAA will be in touch with you shortly to discuss next steps.

Yours sincerely

A handwritten signature in black ink that reads "Bishop Fleming LLP".

BISHOP FLEMING LLP

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix E – Ernst and Young Appointment Letter**

Ernst & Young LLP
1 More London Place
SE1 2AF

Tel: + 44 20 7951 2000
Fax: + 44 20 7951 1345
ey.com

Pete Carpenter
Deputy Chief Executive and Director of Resources
Town Hall
Walter Stranz Square
Redditch
Worcestershire
B98 8AH

24 October 2024

Direct line: 0131 777 2839

Email: sreld2@uk.ey.com

Dear Mr Carpenter

Appointment as external auditor from 2023/24

I am writing to confirm that Public Sector Audit Appointments Ltd ("PSAA") has appointed EY as external auditor to Redditch Borough Council and Bromsgrove District Council from the year ended 31 March 2024. During 2022, in submitting our bid to PSAA to remain a supplier of local public audit, we sought to demonstrate our track record and continued commitment to providing high quality audit in this extremely important sector. We share PSAA and other stakeholders' concerns to ensure that the audit market provides high quality assurance and remains sustainable into and beyond the period of this next contract. Therefore, we are delighted to have been appointed to be your external auditors. We are aware that this appointment has come very late in the process and this will impact our approach for 2023/24, but we will ensure that you are fully briefed on this as we go through the transition period

We will now begin to plan the transition arrangements for your audit. In the first instance, our Operations Senior Manager, Mark Rutter, will act as your first point of contact, so please do not hesitate to contact him or me if you have any questions. Mark will be overseeing our initial audit engagement acceptance procedures and will be in touch shortly with an explanation of the processes we need to complete, including, the data we will require from you, liaison with your outgoing auditor and the timeframes involved, which will allow transition of the audit to EY.

We look forward to working with you in this role.

Yours sincerely

Stephen Reid Partner,
Head of Public Sector Audit
for and on behalf of Ernst & Young LLP United Kingdom

Contact details:
Mark Rutter – Mark.Rutter@uk.ey.com; 0191 350 7783 (direct line)

The UK Firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 1JF, the firm's principal place of business and registered office and at Companies House (<https://www.gov.uk/guidance/information-about-in-companies>) under the registration number OC300001. Not all partners are members of Ernst & Young LLP. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority (authorisation number 614947), the Financial Conduct Authority (registration number 196203) and other regulators. Further details can be found at https://www.ey.com/en_uk/legal-statement.

REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee 10th December 2024

Appendix F – Officer and Member Onboarding Questionnaire



Appendix A – Officer and Member Questionnaire

1. To the best of your knowledge, do you have any business relationships with EY? If so, disclose the nature of such relationships.

2. Do you control any entity that has a business relationship³ with EY? If so, disclose the name of the entity and the nature of such relationships.

3. Does EY provide any professional services to you or to a member of your immediate family including spouse, spousal equivalent⁴, or dependent? If so, are the services limited to personal tax returns?

4. Have you previously worked at EY? If so, disclose your previous position, date you left EY and whether you retain any company pension arrangements.

5. Do you have a close relationship⁵ with any EY partner or EY professional? If so, please provide further details.

³ Business relationships include the following: arrangements for services or products provided by an individual or company such as a consultant, facilitator, sub-contractor, independent contractor, licensee, licensee, reseller, or distributor; or arrangements involving alliances, joint ventures, joint marketing, co-ventures, sponsorships, co-marketing, cooperative arrangements, investing, lending, borrowing monies, or acting as a lessor or lessee.

⁴ Spousal equivalent is defined as a cohabitant occupying a relationship generally equivalent to that of a spouse.

⁵ Examples of a close relationship include but may not be limited to immediate or close family members, aunts, uncles, grandparents, nieces, nephews, cousins, in-laws, step relatives, boy/girlfriends, close or best friends, intimate or other close relationships with relevant individuals employed or associated with the Authority. Close relationships can also include dating, frequent entertaining, sharing a residence, vacationing, or non-business-related overnight trips. Gifts that are not commensurate with the normal courtesies of business and social life may be indicative of a close relationship.

Print Name: _____

Title: _____

Signed: _____

Date: _____

This page is intentionally left blank

Redditch Borough Council

Statement of Accounts for the year ended 31st March 2021



**Town Hall, Walter Stranz Square, Redditch,
Worcestershire B98 8AH tel: (01527) 64252**

Redditch Borough Council**Statement of Accounts for the year ended 31st March 2021****CONTENTS**

Note	Description	Page Number
	Narrative Report	3
	Annual Governance Statement and Statement on Responsibilities	17
The Core Financial Statements		
	Movement in Reserves Statement - RBC and Group	28
	Comprehensive Income and Expenditure Statement	29
	Comprehensive Income and Expenditure Statement - Group	30
	Redditch Borough Council Balance Sheet	31
	Group Balance Sheet	32
	Redditch Borough Council Cash Flow Statement	33
	Group Cash Flow Statement	34
Notes to the Core Financial Statements		
	1 Accounting Policies	36
	2 Accounting Standards that have been issued but have not yet been adopted	50
	3 Critical Judgements in applying accounting policies	50
	4 Assumptions made about the future and other major sources of estimation uncertainty	51
	5 Material items of income and expense	52
	6 Events after the reporting period	52
	7 Expenditure and Funding Analysis	54
	7a Note to the Expenditure and Funding Analysis	55
	7b Segmental Income and Expenditure	57
	8 Expenditure and Income analysed by Nature	58
	9 Adjustment between accounting basis and funding basis under regulations	59
	10 Movements in Earmarked Reserves	61
	11 Other Operating Expenditure	62
	12 Financing and Investment Income and Expenditure	62
	13 Taxation and Non-Specific Grant Income and Expenditure	62
	14 Property, Plant and Equipment	62
	15 Investment Properties	63
	16 Intangible Assets	66
	17 Financial Instruments	66
	18 Inventories	67
	19 Debtors	68
	20 Cash and Cash Equivalents	68
	21 Assets Held for Sale	69
	22 Creditors	69
	23 Provisions	69
	24 Group Accounts	69
	25 Usable Reserves	70
	26 Unusable Reserves	72
	27 Cash Flow statement - Operating Activities	73
	28 Cash Flow from Investing Activities	76
	29 Cash Flows from Financing Activities	76
	30 Reconciliation of Liabilities from Financial Activities	76
	31 Members Allowances	77
	32 External Audit Costs	77
	33 Employees Remuneration	77
	34 Grant Income	78
	35 Related Parties	82
	36 Capital Expenditure and Capital Financing	83
	37 Leases	84
	38 Defined Benefit Pension Schemes	85
	39 Contingent Liabilities	90

40 Contingent Assets	90
41 Nature and Extent of Risks Arising from Financial Instruments	90

Supplementary Statements

Housing Revenue Account	94
Collection Fund	100
3	

Narrative Report

Introduction

Local authority accounts, like those of any organisation, are prepared to comply with a series of rules and conventions set by the accounting profession. However, for local authorities there are many types of transaction where the law, which takes precedence, requires a different treatment from the accounting rules. This effectively means that local authorities are trying to simultaneously fulfil two conflicting sets of rules when preparing their accounts.

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for items which must be in the accounts per the accounting rules but are not allowed in them under law, and vice versa. It is the legal rules that must be used when calculating budget requirements, council tax and housing rents.

As a result, all the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. The only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements.

The Statement of Accounts brings together the major financial statements for the financial year 2020/21. The statements and the notes that accompany them give a full and clear picture of the financial position of Redditch Borough Council.

The sections are:

- Narrative Report – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery.
- Statement of Responsibilities – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts.
- Movement in Reserves Statement – The movement in the year on the different reserves held by the Council.
- Comprehensive Income and Expenditure Statement – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation.
- Balance Sheet – The value of the assets and liabilities recognised by the Council and the Group as at 31st March 2021.
- Cash Flow Statement – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties.
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council.
- Notes to the Financial Accounts – The Statements are supported by technical notes.
- The Collection Fund and Notes – Shows the transactions of the separate fund used for the collection of council tax and non-domestic rates (NNDR) and its distribution to local government bodies and the government.
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council
- Group Accounts - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.
- Housing Revenue Account - The Housing Revenue Account is a ring-fenced account used to manage our (council owned) housing stock of some 5,600 properties. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the Housing Revenue Account.

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2020/21 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Redditch Borough Council.

Narrative Report

Financial and Operational Performance

Our District

Redditch

- Covers an area of 21 square miles.
- Has 84,000 residents.
- Has 41,000 Homes and Businesses.
- Has 29 Councillors and 12 Wards which the present boundary review will reduce to nine wards and 27 councillors.

The Borough has an above-average number of young families; is densely populated other than outlying areas such as Feckenham; has major employment in 'traditional' manufacturing; has areas of significant deprivation; and average median incomes.

Elections are held every year for three years, with up to 10 seats contested at a time. with no election in the fourth year. All out elections will be held in 2024. The council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the executive committee, which is chaired by the Leader of the Council. The executive committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

The Council, along with Bromsgrove District Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

The Council's vision is "To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of efficiently-run, high quality services that ensure those most need in need receive the appropriate help, support and opportunities."

Strategic Purposes

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers to understand what goes on in our communities and have considered how we collaborate with partners to support the issues within those communities.

Taking into account what really matters to our residents we produced a set of six strategic purposes to guide us; they are based on customer demands and data and evidence about the needs of and issues affecting the people of Redditch Borough Council.



Narrative Report

Strategic purpose: Help me run a successful business

How we achieve this:

- Nurture existing businesses and encourage a future generation of entrepreneurs.
- Enhance the retail, leisure, and residential offering within the District.
- Positively promote Redditch as a place to live, work, invest, visit, and encourage new inward investment.
- Collaborate with partners to improve the aspirations of our younger population and develop skills to meet the future demands of employers.

Strategic purpose: Help me to be financially independent (including education and skills)

How we achieve this:

- Develop education and skills to sustain financial independence.
- Support communities during changes to welfare and benefits.
- Support residents to reduce levels of individual debt.

Strategic purpose: Help me to live my life independently (including health and activity)

How we achieve this:

- Understand and support the additional needs of our residents.
- Promote independence and reduce social isolation.
- Help people to have active bodies and active minds.
- Strengthening and supporting families and individuals.

Strategic purpose: Help me to find somewhere to live in my locality

How we achieve this:

- Support the development of appropriate and affordable housing in the Borough.
- Raise housing standards and the quality of the local environment across the Borough.
- Greater involvement and empowerment of tenants and residents in service delivery and reform.
- Identify and support vulnerable people to prevent homelessness.
- Build sustainable communities and neighbourhoods.

Strategic purpose: Keep my place safe and looking good

How we achieve this:

- Participate in the creation of safe and well-maintained places.
- Demonstrate concern and care for the environments.
- Create a sense of belonging and pride in our neighbourhoods.

Strategic purpose: Provide good things for me to see, do and visit

How we achieve this:

- Help create flourishing town and district centres.
- Support the provision of leisure and culture opportunities for the whole Borough.
- Provide well maintained community parks and green spaces.
- Provide and support high quality, culturally diverse events, and arts activities.

Narrative Report

National Position

The impact of both Covid-19 and Brexit are amongst the most significant economic events which are currently facing the UK.

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot be determined with any accuracy but is likely to have a significant impact on the economy, particularly as government financial assistance ends such as furlough and business grants and the country begins to recover from covid.

The UK formally left the European Union on 31st January 2020 with a transition period that lasted until the end of December 2020. It is currently difficult to quantify what the impact has been on the Council, but the most obvious implications are to importing goods.

The uncertainties about future economic conditions make medium term financial planning even more challenging for the Council. The Council will continue to monitor the impact and provide updates.

Organisational Performance

In response to the pandemic, Redditch Borough Council implemented urgent crisis response and business continuity plans. The pandemic has had a significant impact on the services delivered by the Council to the residents of Redditch. The Council responded swiftly and decisively to the pandemic – playing a pivotal role in leading the district through an unprecedented national public health emergency.

This included many vital, short-term policy initiatives to protect the District's most vulnerable residents – including support for Redditch Council staff, support for the NHS response primarily through Worcester Regulatory Services, and much needed help for struggling businesses. The Council procured additional Personal Protective Equipment (PPE) to enable key staff to continue to deliver services safely. All these initiatives required additional investment and were funded during 2020/21 from the Covid-19 grants received from Central Government. These direct grants to the Council amounted to £1.417m. In addition, £0.361m was also received in terms of support for lost sales fees and charges.

In addition to these important short-term initiatives, some services had to be suspended in line with Government restrictions. The Council immediately implemented an enhanced Covid-19 Governance Structure.

Central Government announced that local authorities were to be responsible for the distribution of a number of grants throughout 2020/21; including mandatory and discretionary business grants and self-isolation payments for individuals required to isolate. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner. Systems were continually reviewed and improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the Governments requirements and satisfy the funding conditions. Using discretionary funding, the Council designed and approved grants schemes to support those businesses and individuals self-isolating put at financial hardship who fell outside the mandatory government grant schemes.

The Council acted as an agent for the administration of the mandatory grants – the eligibility criteria and funding levels were set by Government and the Council had no discretion on how these were administered. These grants have therefore been excluded from the Comprehensive Income and Expenditure Statement (CIES). Table 1 sets out these additional grants distributed during 2020/21:

Narrative Report

Table 1 – Mandatory grant

Type	Number	Value
Small Business Grant Fund	927	9,270,000
Retail Hospitality and Leisure 2a	82	820,000
Retail Hospitality and Leisure 2b	156	3,900,000
Local Authority Discretionary Grant Fund	68	724,000
Additional Restrictions Grant	147	1,100,233
Christmas Support Payment for Wet Led Pubs	26	26,000
Closed Business Lockdown Payment	331	1,672,000
LRSG (Closed)	73	36,301.16
LRSG (Closed) Addendum	338	570,142
LRSG (Closed) Addendum 5th January Onwards	342	1,770,735
LRSG (Open)	78	103,204.09

The Test and Trace figures for 2020/21 were as outlined in Table 2.

Table 2 – Test and Trace figures

Redditch	Awards	£
Main Scheme	164	£82,000
Discretionary	92	£46,000

Following the issuing of a Section 24 Notice in 2019, Members have shown through approvals that have been made to enable the balanced budget for 2020/21 that difficult decisions are now being made which was a concern previously raised as part of the S24 notice. This was a dramatic improvement on the prior year's performance and places the Council in a strong position moving forwards to deal with the uncertainties caused by Covid.

The Council continued to deliver core services; the following graphic sets out that delivery during the initial year of the pandemic.

Narrative Report

The only figures we seem to see these days are related to Coronavirus, so here are some of our interesting statistics from January 2020 - February 2021. Our staff, whether front line or working from home, have worked hard to keep local services running throughout the pandemic.

Covid Count

Completed **374 parenting clinics** and continued to **run 6 parenting groups** impacting on **438 children** in Redditch and Bromsgrove

Redditch **Test and Trace scheme has paid £93,500** to residents, that is **94%** of the money given to us from the Government.

Supported 16 local fitness instructors to upskill to meet local health priorities during lockdown including the delivery of virtual classes

We helped **28 homeowners** in Redditch Borough with broken heating systems to get their homes warm again through our Bromsgrove and Redditch Energy Advice Service.

Delivered **17 themed instalments of an online campaign** encouraging residents to get creative at home


Generated over **£9k of funding** through the Redditch Community Lottery, supporting **30 Good Causes** and our players had **406 winning tickets**.


Our Main Customer Services Team have responded to **31,163 customer calls in the past 6 months** (Aug 2020 -Jan 2021 inclusive).


Residents who accessed the Energy Advice service in December 2020, are estimated to have saved **a collective £18,807 and 87933.00 (KG) of Co2** annually, based on the advice and support given.

 Our crews have collected over **1.9 million** household waste bins! (Jan - Dec 2020)


Starting Well Worcestershire* gave out **200 pumpkins** for Halloween (across Redditch and Bromsgrove), impacting over **170 children** and 10 were donated to a care home.

 Offered residents **help through our Dial a Ride service** to attend vaccination appointments whether they are registered with us or not.


 Starting Well Worcestershire* supported **174 families with Family Information Service** enquiries (accessing childcare funding) across Redditch and Bromsgrove

 **5,526 phone calls were answered by benefits officers** offering support to customers who needed assistance with benefits claims and other financial support since the beginning of lockdown 23rd March

 Helped community groups, faith leaders and council representatives to come together to create a virtual Holocaust Memorial Day Service which was **seen by over 400 people**.

 Starting Well Worcestershire* delivered **78 hampers (including 25 over Christmas)** containing healthy ingredients and recipes to families across Redditch and Bromsgrove, impacting on **171 children**.

 Environmental Services Support Team answered **40,469 phone calls** and **22,156 emails** about bin collections, cleansing, fly tipping etc. between Jan to Dec 2020

 Worked with local artist Keith Ashford who has created **10 creative tutorials** online.

* The Starting Well Partnership support families, parents, children, and young people across Worcestershire to lead happy, healthy, and fulfilled lives. Although they work across the county, our officers work on a local level as part of this partnership.

Narrative Report

As the previous graphic has shown, the way councils transact, and public requirements have changed significantly because of the Covid-19 pandemic and 2020/21 was the initial year of those changes. Operational changes necessitated by the pandemic have included:

- Leadership of a Borough Incident Management Team with all partners with objectives to:
 - Explore district specific issues/outbreaks.
 - Examine the drivers of Covid transmission.
 - Generate population specific mitigations and solutions.
 - Problem solving across all sectors.
 - Escalation of issues, where required, was to the Health Protection Board/Local Resilience Forum/Strategic Co-ordination Group/Tactical Co-ordination Group, with key actions being highlighted.
 - Significant community engagement work was undertaken, including a vaccine hesitancy survey.

We had a team of Covid Advisors working within the Borough to offer support to businesses and the community. We provided operative support including marshalling and car parking at testing sites. We supported the County Council's Here to Help initiative. This included facilitating staff to be able to volunteer into job roles to support the community, such as door knocking vulnerable residents.

In terms of our Housing, within the Council's Housing stock non-urgent repairs were stopped at various points through lockdown. This in turn led to a redistribution of staff, moving more resources into the Voids team away from Repairs.

Undertaking a significant amount of work in a short period of time to enable the majority of the Council's workforce to work from home effectively – allowing us to put plans in place to transition to agile working. Obviously, some services such as refuse collection, remained “face to face” but this hybrid approach has ensured that:

- The majority of Council services continued to work as normal or were returned to normality as soon as we were able. This included works to convert offices to safe operating environments.
- We were able to support the most vulnerable in our society, the business community, and the voluntary sector through our partnership networks and administering grant funding.
- Democracy and decision making was enabled to continue by implementing virtual meetings as quickly as possible and then transitioning to face to face meetings when the legislation changed.
- We could formalise and deliver a comprehensive Recovery and Restoration plan for the Council.
- We could work closely with Health colleagues to set up a testing centres at Trafford Car Park and the Town Hall.
- Major communications and media messaging campaigns were delivered about the pandemic and encouraging vaccine uptake (internal and external).
- Pop up vaccination centres could be facilitated.
- The test track and trace function (WRS) was delivered effectively to the public.
- We secured funding to develop the ABCD approach and model and to enhance youth work provision in the districts.
- We kept Waste Crews working whilst the world around them stopped, with detailed Risk Management based on National Guidance and influencing Industry Guidance, utilised staff from across Environmental Services to keep waste services running in the face of significant sickness absence and arranged funding for more HGV drivers to be trained to build resilience in the service.
- The arrangements with our commercial waste customers were flexed to reflect how they were having to deal with covid.
- Considering the importance of recreation space during the lockdown periods, we changed cleansing maintenance to reflect significant changes in behaviour and increase usage of these assets. This included the installation of public sanitisers across the District.
- The Stores team procured PPE and sanitise to keep the Authority operating when other areas were unable to locate supplies.

Our staff were the key resource in the new delivery cycle. We ensured their wellbeing by:

- Conducting a Working Arrangements Survey in July 2020 with all staff. This was undertaken as a temperature check for the organisation to ensure the workforce were able to work well from home during the pandemic

Narrative Report

lockdown and ensuring they had the necessary equipment, access, and support.

- Wellbeing Survey (Stress Risk Audit) – carried out with all staff at the end of 2020 to assess how the workforce were feeling and how they were coping with the impacts of having to adapt to the new environment during the pandemic.

Governance

Redditch Borough Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

Governance is about how the Council ensures that it is doing the right things, in the right way.

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors.
- A transparent decision-making process through Council, Executive, Planning Committee.
- Review and scrutiny of decisions through the Overview and Scrutiny Committee.
- Behaving with integrity supported through a Code of Conduct.
- Managing risk through the Corporate Management Team and Audit Governance & Standards Committee.
- Clear strategic priorities linked to the needs of our communities and customers.
- Regular performance management linked to strategic priorities and managed through a dashboard which is easily accessed and updated.
- Having robust and regular financial management.
- Having good communication with Councillors, employees, and the Community.

The Council undertakes an annual review of its governance arrangements, and this is summarised in the Annual Governance Statement on page 17.

Reserves, Financial Performance and Financial Position

Financial Outlook

The Medium-Term Financial Plan 2021/22 – 2023/24 was approved by Council on 22nd February 2021 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections, consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated in 2020/21 by the Covid-19 pandemic, where we have seen significant drops of income and one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

There continues to be considerable pressure facing the Council over the next three years as a result of a number of issues including:

- Clarity on how long Covid-19 will last including: how this will affect the delivery of Council services, additional government funding, and the levels of income (including collectable council tax and business rates).
- Budgetary pressures such as pay inflation and increased contract costs.
- Potential further reductions in New Homes Bonus Grant.
- Impact of the Localisation of Business Rates scheme, which is now deferred to 2021/22, although the Authority remains in the Worcestershire Business Rates Pool.
- To set financially sustainable budgets over the 3-year period for the Housing Revenue Account.
- Impact of now delayed fair funding and the magnitude and length of future Local Government settlements and how these impact on Medium Term Financial Planning.

The main source of income continues to be council tax. The Chancellors November 2022 update now allows Councils to increase Council Tax by 2.99% or £5 per annum without a referendum. The medium-term financial plan assumes

Narrative Report

a further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2021/22 but needs to address a shortfall in future years ranging from £0.261m in 2022/23 to £0.761m in 2023/24 to avoid using general reserves to balance the budget.

	2021-22 £000	2022-23 £000	2023-24 £000
Departmental base budget	9,907	10,142	10,358
Incremental Progression/HRA recharge	-98	-57	-355
Unavoidable Pressures	1,393	58	65
Revenue Bids/Revenue impact of capital bids	230	244	224
Savings and Additional income	-1,163	-524	-545
Changes in Specific Grant/Funding Movements	198	200	304
Net Revenue Budget Requirement	10,467	10,064	10,051
FINANCING			
Reserve release	-702	-100	0
Lower Tier Services Grant	-400	0	0
Business Rates Net Position	-2,940	-2,985	-2,985
Council Tax	-6,517	-6,746	-6,941
Collection Fund Deficit (Council Tax)	63	0	0
New Homes Bonus	-334	-209	0
Investment Income	-812	-912	-1,012
MRP (Principal)	955	1,035	1,288
Interest payable	355	415	420
Discount on advanced pension payment	-179	-301	-60
Funding Total	-10,511	-9,802	-9,290
General Balances	2021-22 £000	2022-23 £000	2023-24 £000
Estimated opening balances 21/22 (projected)	1,831	1,875	1,613
Contribution (from) / to General Balances	44	-261	-761
Closing Balances	1,875	1,613	852

Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is managed through the Corporate Management Team and Audit Governance & Standards Committee.

As set out in previous sections, the most significant risk is the Covid-19 pandemic, how long it lasts, the amount of support provided by the Government, and how this affects service delivery to our Stakeholders. This affects all parts of the Council. Another significant risk is the implementation of the Councils new financial system, which went live on the 8th February 2021. Its effective embedding within the organisation is key to ensuring financial plans are properly monitored.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 54. The objective is to demonstrate to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Narrative Report

A summary of the net expenditure as reported through the management accounts compared with the budget for 2020/21 is shown below:

Service	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Actuals	2020/21 Variance
	£	£	£	£
Business Transformation & Organisational Development	1,667,517.00	1,576,921.95	1,569,282.09	-7,639.86
Chief Executive	-2,628,903.00	-2,427,459.00	-2,072,008.91	355,450.09
Community & Housing GF Services	2,000,756.00	1,738,238.53	1,531,780.83	-206,457.70
Corporate Financing	-9,702,415.00	-9,057,990.12	-9,240,653.08	-182,662.96
Environmental Services	2,676,940.00	2,660,624.72	2,437,678.26	-222,946.46
Financial & Customer Services	1,832,247.00	1,414,809.67	1,671,234.68	256,425.01
Legal, Democratic & Property Services	2,046,633.00	1,972,087.55	1,735,193.66	-236,893.89
Planning, Regeneration & Leisure Services	1,138,274.00	1,153,815.70	1,006,645.15	-147,170.55
RBC Regulatory Client	352,702.00	352,702.00	346,748.15	-5,953.85
RBC Rubicon Client	648,249.00	648,249.00	671,315.55	23,066.55
Starting Well - GF	-32,000.00	-32,000.00	-31,170.43	829.57
Total	0.00	-0.00	-373,954.05	-373,954.05

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure statement (CIES) and the expenditure and funding analysis (EFA). As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the EFA.

The main variances to budget in each strategic area are as below. Greater detail is available in the year end outturn report.

Business Transformation & Organisational Development (Net underspend of £0.008m)

£0.037m underspend due to salary vacancies in HR.

£0.036m shortfall in income from street naming and numbering.

£0.021m underspend on corporate training budget due to Covid-19 and the reduced ability to deliver training.

Community & Housing GF Services (Net underspend £0.206m)

£0.138m underspend on underspend is due to staff restructure in anti-social behaviour.

Narrative Report

Chief Executive and Corporate Services (Net overspend of £0.355m)

£0.342m overspend on corporate services primarily due to higher than originally budgeted for pension costs (this being previously reported at Quarter 3). This has now been factored into ongoing budgets.

Environmental Services (Net underspend of £0.223m)

£0.112m additional income from bereavement services (due to Covid pandemic).

£0.063m savings on hedge cutting team due to the success of the trial of using less agency workers and vehicles.

Financial & Customer Services (Net overspend of £0.256m)

£0.256m under recovery in benefits as there have not been any court recoveries taking place due to the pandemic (the rules not allowing for this action). This has been projected through the year.

Legal, Democratic & Property Services (Net underspend of £0.237m)

£0.332m underspend in assets and facilities management due to savings on utility budgets and other premise based operational budgets within some of our public buildings including the Town Hall. These savings were due to the pandemic's impact re reduced opening hours during the year and reflect the usual operational costs of heating and operating our assets.

£0.054m overspend in business development predominantly due to the loss of income from Learning online & civic suite hire due to current circumstances.

Planning, Regeneration & Leisure Services (Net underspend of £0.147m)

Parks and events were underspent by £0.127m as events have not taken place also due to COVID-19 along with some temporary salary savings.

£0.090m overspend on economic and tourism development due to some additional costs following the closure of the Rubicon Business centre. There is also a shortfall in income at the other business centres projected.

RBC Regulatory Client (Net underspend £0.006m)

There were no material variances.

RBC Rubicon Client (Net overspend £0.023m)

The additional amounts paid to Rubicon Leisure were paid from general covid grant, and so are not shown in this service line.

Corporate Financing (Net underspend £0.183m)

The above table shows that in summary this service area was under £0.183m. The main variations being as follows

- £0.183m underspend driven largely by interest payable being lower due to a lower than forecast borrowing requirement (due to Covid-19 monies being paid in advance into our accounts) and lower interest rates (cut to historically low levels due to Covid-19), as well as a lower than budgeted Minimum Revenue Provision (MRP) charge for the year due to previous year underspend on capital programme (partially covid impacted).

The Council received significant un-ringfenced covid grant during the year to support service delivery and mitigate the impact of covid. It has been applied as follows:

It is important to note that of the £0.863m applied in 20/21 year, £0.543m was paid over to Rubicon Leisure to support them due to the reduction in leisure income as covid forced the closure of leisure facilities. A further £0.120m has been requested and approved in the 2020/21 Outturn Report.

Narrative Report

General Covid Funding	£
Amount Received (four initial tranches)	1,455,981
Amount spent 19/20	12,657.32
Amount spent 20/21	862,884.57
Remaining balance at 31/3/21	580,439.11
Fifth tranche of grant	496,389
Total remaining covid grant	1,076,828.11

Reserves

The underspend position has resulted in the Council's General Fund position increasing from an opening position of £1.599m by the overspend position of £0.505m and other transfers to a closing position of £3.409m.

Earmarked Reserves have increased from an opening position of £4.979m to a closing position of £16.303m. Main changes are:

- £0.860m increase in Business Rates Retention Scheme.
- £0.580m in general Covid-19 Grants.
- £4.502m in Corporate Services.
- £4.433m of Collection Fund Covid-19 Grant – to offset 2020/21 non-collection in future years.

Grants

The Council received £17.662m of Grant Income during the year for council activities, up from £16.951m the previous year. In addition to this the council also received significant grant, acting as an agent on behalf of Central Government to support businesses during the Covid-19 pandemic.

The largest grant for services continues to be the Housing Benefit Subsidy Grant at £14.551m.

Capital

The management accounts reported the following capital outturn:

The outturn report sets out that expenditure was £13.408m against Capital budgets of £6.604m approved for the year. The Medium-Term Financial Plan (MTFP) also requested £5.407m be slipped to future years. This total was increased in February 2022 to £5.864m.

A review of the capital programme has taken place moving forwards to ensure a more accurate position and reduce potential future variances to budget.

Housing Revenue Account (HRA)

The Housing Revenue Account for 2020/21 is showing an underspend of £0.882m and this represents an actual contribution to HRA balance of £1.288m in comparison to the budget which was set at £0.20m contribution from HRA balances.

The overall performance of the HRA service was severely constrained by the restrictions and lockdowns in response to the covid outbreak.

Essentially, a lot of activity relating to repairs, maintenance, and the overall management of the HRA could not be done and had to be rescheduled to future years.

Narrative Report

Repairs and maintenance is showing an underspend of £1.3m and £0.637m of this is due to reduced activity in relation to (demand led) responsive repairs.

Similarly, activities relating to the supervision and management of the HRA was reduced and this resulted in an underspend of £0.650m. However, dwellings rental income is £0.150m lower than budget due to the incidence of voids and the turnaround period of void properties. The HRA capital program for 2020/21 is showing an underspend of £7m. As noted above this was due to rescheduling of the planned program of works to future years because of covid restrictions.

In November 2022 the Council were issued with a S24 Statement for the non-delivery of the 2020/21 Accounts within the statutory deadlines. This report was debated by the Audit, Governance and Standards Committee and Full Council and the recommendations accepted. A recovery programme had been put in place in April 2022 due to issues with the implementation of a new financial system on the 8th February 2021. The systems, and staffing issues that led to issues in non-delivery of the accounts were finally rectified in November 2022. Bromsgrove District Council, which Redditch has a shared service with, commissioned a Task Group of its Audit Committee to establish the underlying issues of this systems failure and learning points for the future. This Task Group met in February 2023 and Redditch Audit, Governance and Standards Committee reviewed those recommendations at its meeting in March 2023. The recommendations of the Task Group were accepted both by the Audit Governance and Standards Committee and then Council.

Due to the backlog of work requiring rectification a further S24 Statement was issued in October 2024, this time for non-delivery of Audited 2020/21, 2021/22 and 2022/23 Accounts within the Statutory deadlines. The 2020/21 Accounts have only been submitted now with 2021/22 expected to be submitted at the end of June and 2022/23 Accounts at the end of August.

Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities:

Redditch Borough Council is required to:

- make arrangements for the proper administration of its financial affairs.
- secure that one of its officers has the responsibility for the administration of those affairs.
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

In this Authority, that officer is the Director of Finance and Resources.

The Director of Finance and Resources is responsible for the preparation of Redditch Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority.

Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

In preparing this Statement of Accounts, the Director of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Director of Finance and Resources has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31st March 2021 and its income and expenditure for the year ended on that date.

SIGNED.....

Certificate of the Director of Finance and Resources (and Chief Financial Officer)

I certify that:

- (a) the Statement of Accounts for the year ended 31st March 2021 has been prepared in the form directed by the Code and under the accounting policies set out on pages 36 to 49.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....Date:
Director of Finance and Resources (and Chief Financial Officer)

Approval of Statement of Accounts

These accounts were approved by resolution of the Audit, Governance and Standards Committee on xxxxxxxx.

Chair
.....

Annual Governance Statement 2020/21

Scope of Responsibility

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. Redditch Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Councils policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31st March 2021 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The framework to deliver good governance across the Councils services in delivering the Strategic Purposes encompass a number of elements.

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and

Annual Governance Statement 2020/21

transparent decisions. This includes the Scheme of Delegation to officers.

- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements are in place through regular budget monitoring, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, this was implemented on the 8th February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2020/21, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

Audit, Governance and Standards Committee

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the Treasury Management Strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient, and effective use of resources.

Annual Governance Statement 2020/21

During 2020/21 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems audits which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance.
- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits' work programme helps to assure Audit, Governance and Standards Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon.
- Monitoring and reporting mechanisms were in place to report issues.
- These streams and reporting mechanisms are embedded in the RBC governance process.

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Governance and Standards Committee for further scrutiny.

In relation to the 16 reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

As a result of the Covid-19 pandemic the Council quickly put in place

- An emergency operations structure.
- Movement of staff and resources to cover new pandemic delivery priorities.
- Arrangements to track the financial implications of the pandemic on the Council's resources.
- Arrangements for the democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.

Annual Governance Statement 2020/21

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address:

Area of Assurance	Gap/Proposal to Mitigate	Progress
<p>Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers.</p>	<p>Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.</p>	<p>Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the summer of 2022 draft 2020/21 Accounts will be approved by Audit Committee on 28th May 2024. The 2021/22 Accounts process will start in 2024 and so will also be late. This issue will remain until 2022/23 accounts are submitted.</p>
<p>The implementation of a new Finance system on the 8th February 2021.</p>	<p>Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash receipting is not working as expected and so rectification with software providers Tech One is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process.</p>	<p>Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6th November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but still require full embedding.</p>
<p>The loss of significant numbers of finance staff during 2021.</p>	<p>Recruitment campaign planned for Autumn of 2021.</p>	<p>Recruitment campaign was not successful and only three staff onboarded. Subsequent recruitment campaign undertaken in Spring on 2022 where 10 staff have been onboarded by August.</p>
<p>Delivery of Services during Covid-19.</p>	<p>Ensure processes are in place to keep staff and customers safe while delivering existing and additional services to all stakeholders.</p>	<p>Revised arrangements for service delivery set up with majority of staff working remotely. ICT enabled this to happen quickly. Additional Grants for individuals and business community allocated and BEIS and DLUHC compliance regimes met.</p>

Annual Governance Statement 2020/21

The following Governance recommendations were highlighted in the S24 Report and Interim Auditors Annual Report 2020/21 submitted on the 31st October 2022.

Area of Assurance	Gap/Proposal to Mitigate	Progress
<p>Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation.</p>	<p>Full mitigation steps set out in the S24 Report. Key items include rectification of the cash receipting issue and delivery of the 2020/21 accounts. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p>	<p>Cash receipting issues rectified over the 5th/6th November. 2020/21 Accounts being drafted for presentation to Audit, Governance and Standards Committee on the 28th May 2024.</p>
<p>The Council needs to ensure that the Medium-Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.</p>	<p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p>	<p>MTFP is being produced in two Tranches in 2023/24. First Tranche, with full backing papers, went to Executive on the 25th October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood. Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring report.</p>

Annual Governance Statement 2020/21

The Council needs to ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in an accordance with relevant Codes and Practice.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

2022/23 Capital Strategy, Treasury Management Strategy, and MRP Policy presented to Executive for approval and then Council in July 2022.

The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Additional working groups (Back Office and 4th Tier) set up to ensure that projects are properly identified and "gatekept". Key projects reviewed by CMT on a quarterly basis. Full learning process will be run following the closure of the 2020/21 account in relation to lessons learnt.

The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. To achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.

The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. To achieve this the Council should make risk management reporting a standing item on the Audit, Governance and

Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which presented to Executive in September 2022.

Annual Governance Statement 2020/21

Risk Management now reported to Audit, Governance and

Standards Committee on a quarterly basis with updates in the new format in July and October 2022.

This includes a revised definition of a "corporate risk".

The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.

Annual Governance Statement 2020/21

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 25.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed **Date**

Signed **Date**

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

Internal Auditors' Report

Head of Internal Audit Opinion

Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

Due to the global Covid-19 pandemic, 2020/21 was a particularly challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

Overall Governance Conclusion

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2020/21 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, risk remains present which could jeopardise this in the future regarding certain areas and emerging risks will need to be identified and managed. Close monitoring of deployed measures is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2020/21 will be critical to create better transparency, expectation, and accountability. This will be necessary to ensure the Borough can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk.

Risk Management Conclusion

The Head of Internal Audit can confirm the further development of the formal risk management system is set to continue in the organisation under the direction of the Financial and Customer Services Manager with a view to achieving a better embedded approach in the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. Risk management is present in some form in services but is not corporately coordinated to allow for a joined-up view of risk. This is reflected in the 'no assurance' that has been provided during the risk review in 2020/21. An action plan is awaited to map the requirements and to allow progress and assurance to be reported before Members in the future.

Audit Opinion

The internal audit of Redditch Borough Council's systems and operations during 2020/21 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 27th July 2020. This required a significant and subsequent revision due to the impact of the global pandemic.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for five District Councils and increased to six partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, and effective use of resources.

The Internal Audit Plan for 2020/21 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance.
- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The 2020/21 internal audit plan was heavily revised due to the Covid-19 global pandemic. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit

Internal Auditors' Report

opinion.

At the time of writing this opinion in relation to the 15 reviews undertaken, all have been finalised. Areas which returned an assurance level of 'limited' or 'no' included risk assurance.

A clear management action plan has been formulated to address the issues identified in all the audit area where 'no' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the S151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with the action plan being formulated by the Finance and Customer Services Manager.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including a lack of awareness regarding a handbook and a requirement to update antifraud and corruption procedures. No areas of significant risk have been identified in addition to those already identified in the audit work completed.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

Eleven of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The two critical friend reviews that were undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the previous year results and corporate position due to the impact the pandemic had. WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service Worcestershire
Internal Audit Shared Service Jul-21

The Core Financial Statements



Redditch Borough Council

Financial Statements for the year ended 31st March 2021

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Reserves line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amount required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers before any discretionary transfers to / (from) earmarked reserves undertaken by the Council.

Movement in Reserves Statement for the Council and Group for the current and comparative year

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	HRA Balance £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Rubicon Leisure Limited £000	Total Group Reserves £000
Balance as at 1 April 2019	1,225	5,120	6,345	770	18,236	19,006	6,879	5,866	2,155	40,251	118,686	158,937	30	158,967
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	1,657	0	1,657	(1,304)	0	(1,304)	0	0	0	353	19,475	19,828	(3,075)	16,753
Adjustments between accounting basis & funding basis under regulations (Note 9)	(1,425)		(1,425)	(1,699)	0	(1,699)	931	3,675	249	1,731	(1,731)	0	474	474
Net Increase/Decrease before Transfers to Earmarked Reserves	232	0	232	(3,003)	0	(3,003)	931	3,675	249	2,084	17,774	19,828	(2,601)	17,227
Transfers to or from earmarked reserves	142	(142)	0	2,977	(2,977)	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	374	(142)	232	(26)	(2,977)	(3,003)	931	3,675	249	2,084	17,774	19,828	(2,601)	17,227
Balance as at 31 March 2020	1,599	4,979	6,577	744	15,259	16,003	7,810	9,541	2,404	42,335	136,430	178,765	(2,571)	176,194
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	(505)	0	(505)	882	0	882	0	0	0	377	15,951	16,329	(2,253)	14,076
Adjustments between accounting basis & funding basis under regulations	13,639		13,639	(1,288)	0	(1,288)	(659)	3,152	375	15,218	(15,218)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	13,134	0	13,134	(406)	0	(406)	(659)	3,152	375	15,596	733	16,329	(2,253)	14,076
Transfers to or from earmarked reserves	(11,324)	11,324	0	1,694	(1,694)	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	1,810	11,324	13,134	1,288	(1,694)	(406)	(659)	3,152	375	15,596	733	16,329	(2,253)	14,076
Balance as at 31 March 2021	3,409	16,303	19,711	2,032	13,565	15,597	7,151	12,693	2,779	57,931	137,163	195,094	(4,824)	190,270

Redditch Borough Council

Financial Statements for the year ended 31st March 2021

This statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

Comprehensive Income and Expenditure Statement for the year end 31st March 2021

	Notes	2020/21			2019/20		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority		29,570	(28,563)	1,007	4,175	(2,345)	1,830
Help me be financially independent (including Education and Skills)		16,945	(17,392)	(447)	18,225	(17,525)	700
Help me find somewhere to live in my locality		1,998	(1,511)	487	2,148	(759)	1,389
Help me to live my life independently (including Health and Activity)		1,969	(1,651)	318	2,005	(1,626)	379
Help me run a successful business		1,246	(916)	331	2,632	(1,708)	924
Keep my place safe and looking good		7,539	(3,352)	4,187	7,793	(3,240)	4,553
Provide good things for me to see, do and visit		1,760	(601)	1,159	2,410	(707)	1,701
Local authority housing - (HRA)		19,174	(24,723)	(5,549)	20,441	(24,123)	(3,682)
Revaluation of Housing Revenue Account Stock					69		69
Cost of Services		80,202	(78,709)	1,493	59,898	(52,033)	7,865
Other Operating Expenditure	11	2,934	0	2,934	(225)	0	(235)
Financing and Investment Income and Expenditure	12	4,884	221	5,105	5,298	(70)	5,228
Taxation and Non-Specific Grant Income and Expenditure	13	11,198	(21,107)	(9,909)	11,194	(13,211)	(13,211)
(Surplus) or Deficit on Provision of Services				(377)			(353)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	14,15			17,008			(15,090)
Remeasurement of the net defined benefit liability/(asset)	38			(1,057)			(4,385)
Other Comprehensive Income and Expenditure				15,951			(19,475)
Total Comprehensive Income and Expenditure				15,574			(19,828)

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

Notes

	2020/21			2019/20		
	£000	£000	£000	£000	£000	£000
	Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority	29,570	(28,563)	1,007	4,175	(2,345)	1,830
Help me be financially independent (including Education and Skills)	16,945	(17,392)	(447)	18,225	(17,525)	700
Help me find somewhere to live in my locality	1,998	(1,511)	487	2,148	(759)	1,389
Help me to live my life independently (including Health and Activity)	1,969	(1,651)	318	2,005	(1,626)	379
Help me run a successful business	1,246	(916)	331	1,547	(1,708)	(161)
Keep my place safe and looking good	7,539	(3,352)	4,187	7,793	(3,240)	4,553
Provide good things for me to see, do and visit	4,621	(3,643)	978	7,087	(3,869)	3,218
Local authority housing - (HRA)	19,174	(24,723)	(5,549)	20,441	(24,123)	(3,682)
Revaluation of Housing Revenue Account Stock	0		0	69		69
Cost of Services	83,063	(81,751)	1,312	63,490	(55,195)	8,295
Other Operating Expenditure	2,934	0	2,934	(191)	0	(191)
Financing and Investment Income and Expenditure	4,884	221	5,105	5,298	(70)	5,228
Taxation and Non-Specific Grant Income and Expenditure	11,198	(21,107)	(9,909)	0	(13,211)	(13,211)
(Surplus) or Deficit on Provision of Services			(558)			121
(Surplus) or deficit on revaluation of Property, Plant and Equipment			17,008			(15,090)
Remeasurement of the net defined benefit liability/(asset)			1,070			(2,258)
Other Comprehensive Income and Expenditure			18,078			(17,348)
Total Comprehensive Income and Expenditure			17,520			(17,227)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide their services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet as at 31st March 2021

	Notes	31st March 2021 £000	31st March 2020 £000
Property, Plant & Equipment	14/14a	365,499	349,827
Heritage Assets			57
Investment Property	15	899	0
Intangible Assets	16	329	652
Long Term Debtors	17	208	952
Long Term Assets		366,935	351,488
Short Term Investments	17	10,000	9,750
Inventories	18	465	277
Short Term Debtors	19	17,324	9,211
Cash and Cash Equivalents	20	6,739	1,511
Current Assets		34,528	20,749
Short Term Borrowing	17	0	0
Short Term Creditors	22	(16,344)	(14,031)
Provisions	23	(3,381)	(556)
Revenue Grants received in advance	34	(8,325)	0
Current Liabilities		(28,050)	(14,587)
Long Term Borrowing	17	(105,721)	(104,063)
Other Long-Term Liabilities	38	(70,698)	(74,095)
Capital Grants received in advance	34	(2,303)	(727)
Long Term Liabilities		(178,722)	(178,885)
Net Assets		194,691	178,765
Usable reserves	25	57,931	42,335
Unusable Reserves	26	136,760	136,430
Total Reserves		194,691	178,765

Group Balance Sheet as at 31st March 2021

Information relating to the Group Balance Sheet is included in Note 24 - Group Accounts.

	Notes	31st March 2021 £000	31st March 2020 £000
Property, Plant & Equipment	14/14a & 24	365,519	349,839
Heritage Assets		0	57
Investment Property	15	899	0
Intangible Assets	16	329	652
Long Term Debtors	17	208	952
Long Term Assets		366,955	351,500
Short Term Investments	17	10,000	9,750
Inventories	18 & 24	482	296
Short Term Debtors	19 & 24	18,712	9,050
Cash and Cash Equivalents	20 & 24	7,169	1,865
Current Assets		36,363	20,961
Short Term Borrowing	17	0	0
Short Term Creditors	22 & 24	(17,852)	(14,225)
Provisions	23	(3,381)	(556)
Revenue Grants received in advance	34	(8,325)	0
Current Liabilities		(29,558)	(14,781)
Long Term Borrowing	17	(105,721)	(104,063)
Other Long-Term Liabilities	24 & 38	(73,299)	(76,696)
Capital Grants received in advance	34	(2,303)	(727)
Long Term Liabilities		(181,323)	(181,486)
Net Assets		192,437	176,194
Usable reserves	24 & 25	58,278	42,365
Unusable Reserves	24 & 26	134,159	133,829
Total Reserves		192,437	176,194

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of the net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for reserves which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Cash Flow Statement at 31st March 2021

	Notes	2020/21 £000	2019/20 £000
Net surplus on the provision of services		377	353
Adjustment to surplus or deficit on the provision of services for non-cash movements	27	24,708	11,936
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	673	(5,933)
Net cash flows from Operating Activities		25,758	6,356
Investing Activities	28	(20,530)	(8,708)
Financing Activities	29	0	2,725
Net increase or decrease in cash and cash equivalents		5,228	373
Cash and cash equivalents at the beginning of the reporting period		1,511	1,138
Cash and cash equivalents at the end of the reporting period		6,739	1,511

Group Cash Flow Statement at 31st March 2021

	Notes	2020/21 £000	2019/20 £000
Net surplus on the provision of services		558	(121)
Adjustment to surplus or deficit on the provision of services for non-cash movements	27	24,813	12,567
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	463	(5,933)
Net cash flows from Operating Activities		25,834	6,513
Investing Activities	28	(20,530)	(8,722)
Financing Activities	29	0	2,725
Net increase or decrease in cash and cash equivalents		5,304	516
Cash and cash equivalents at the beginning of the reporting period		1,865	1,349
Cash and cash equivalents at the end of the reporting period		7,169	1,865

Notes to the Core Financial Statements



Note 1 Accounting Policies**General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies**1) Revenue and Expenditure Recognition**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council has set a de-minimis level for accruals of creditors and debtors that are calculated manually to avoid additional time and cost in estimating and recording accruals.

This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de-minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

2) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

3) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling

item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

6) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF).

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price.
 - unquoted securities – professional estimate.
 - unitised securities – current bid price.
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
 - current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types

of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8) Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as other financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

9) Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial Assets

Financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred all the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to homeowners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets at Fair Value Through Other Comprehensive Income or Profit and Loss Account

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore does not hold accounting policies for these issues.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

10) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those with cultural, environmental, or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g., where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

12) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets

held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13) Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out in accordance with the CIPFA Code of Practice to determine a group relationship exists. Inclusion in the group is dependent upon the extent of the Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors, and materiality. Accounts are prepared on a single entity basis with the Statement of Group accounts representing the position for the Council and its subsidiary. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

14) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its expenses, including its share of any expenses incurred jointly.

16) Leases

Leases are classified as finance leases where the terms of the lease transfer all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee Finance Leases

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Authority as Lessor Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable is apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement

in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. (England and Wales).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would influence the reader of the accounts. Notes are only included where items are material by value or nature.

18) Overheads and Support Services

In the financial statements, overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

19) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising :

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).

- Council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows, and structure).
- vehicles, plant, and equipment – straight line over the useful life, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

20) Provisions, Contingent Liabilities and Contingent Assets Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

23) Shared Services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host council with a monitoring report prepared for the partner authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts

When entering into shared services all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross-charging occurs where the other authority uses a resource where there is not a formal shared service in place.

Each authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home authority. Where a cost is only in relation to one authority, this falls outside the Business Case and the authority that gains the benefit for this is fully charged.

24) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable, i.e. from HM Revenue and Customs. VAT receivable is excluded from income.

Note 2 Accounting Standards that have been issued but have not yet been adopted

The code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There is an amendment to IFRS 16 Leases, this standard was due to be implemented on 1st April 2020, but this has now been delayed until 1st April 2024.

The amendment requires Local Authorities who are lessees to recognise leases on the balance sheet as right of use assets with a corresponding lease liability.

As yet the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £16.303m and a General Fund Balance of £3.409m.

The Council participates in a number of shared services under contractual arrangements with other councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements each participant in the arrangement, accounts separately for its own transactions including the use of assets, liabilities, income, expenditure, and cash flows.

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in **Note 24**. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20th May 2020 which ruled that automated teller machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020, but full provision is made in the provision for business rate appeals as at 31st March 2020. The level of the 2017 rating list provision for appeals has released by £2.781m. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note 23**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert to 40%.

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority’s Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Further sensitivity analysis can be seen in the defined benefit pension scheme note.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities has reverted to 40%.

The uncertainty caused by Covid has had an impact on the Council’s ability to accurately value its property, plant, and equipment. The valuer that the Council has used for the exercise this year has been unable to reflect the impact of the current pandemic on land and property values. All evidence that could be obtained reflects pre-pandemic levels and the Royal Institute of Chartered Surveyors (RICS) guidance on material uncertainty was used which is as follows:

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported based on ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Note 5 Material Items of Income and Expense

The following six material items have had an impact on the 2020/21 Financial Statements:

Long Term assets have increased from £359.317m to £365.501m, an increase of £6.183m. This is mainly because of the revaluation of the Housing Revenue Account housing stock which increased by £13.8590m in the year. This has been offset by disposal of housing properties under right to buy with a book value of £1.747m and revaluation losses on General Fund properties of £2.478m.

There has been a decrease in the pension deficit reducing from £76.572m to £74.095m. **Note 38** on page 85 provides a detailed analysis of the pension changes but the main reason for the change are actuarial gains from changes in demographic, financial and experience assumptions. The pension liability is reported in the Balance Sheet as at 31st March 2020 is £72.930m, £3.642m lower than the deficit and this reflects the 2020/21 advanced payment of pension contributions.

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1st December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council. The Council CIES income and expenditure has reduced within the Strategic Priority 'Provide good things for me to see, do and visit' because of the leisure services that have transferred to Company for the 4 months 1st December 2018 to 31st March 2019 in 2018/19 and the full year in 2019/20. However, the income and expenditure of the Company is incorporated in the Group CIES. Further details on Rubicon Leisure Limited are provided in **Note 24**.

From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund.

Creditors have increased by £2.313m from £14.031m in 2019/20 to 16.344m in 2020/21 whereas provisions have increased by £2.825m to £3.381m from £0.556m in 2019/20.

In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments, and appeals.

Note 6 Events after the Reporting Period

On the 20th May 2020, the Supreme Court denied the Valuation Office's appeal against the Court of Appeals decision that ATM's should not be rated occupied separately from the host store within which they are located.

Initially ATM's that are located externally or internally at supermarkets or convenience stores were being assessed rateable occupied separately to that of the supermarket, but this has now been overturned.

There was also a case relating to the business rates of purpose-built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list.

Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020, but full provision has been made in the provision for business rate appeals as at 31st March 2020.

Further information on the provision for appeals is contained within **Note 23**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. From 2020/21 the share of assets and liabilities will revert to 40%.

In April 2020, an upfront payment of £8.774m was made to Worcestershire Pension Fund for pension deficit

funding and employers superannuation contributions for the period 2020/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 7 Expenditure and Funding Analysis

For the current and comparative year

Net Expenditure Chargeable to the General Fund and HRA Balances	2020/21		Strategic Purpose	2019/20		
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
382	(625)	1,007	Enabling of the Authority	2,657	827	1,830
(714)	(267)	(447)	Help me be financially independent (including Education and Skills)	326	(374)	700
209	(278)	487	Help me find somewhere to live in my locality	583	(806)	1,389
89	(229)	318	Help me to live my life independently (including Health and Activity)	42	(337)	379
72	(259)	331	Help me run a successful business	619	(305)	924
1,347	(2,840)	4,187	Keep my place safe and looking good	3,649	(904)	4,553
(191)	(1,350)	1,159	Provide good things for me to see, do and visit	616	(1,087)	1,703
(11,826)	(6,277)	(5,549)	Local authority housing - (HRA)	3,146	6,759	(3,613)
(10,632)	(12,125)	1,493	Net Cost of Services	11,638	3,773	7,865
940	2,810	(1,870)	Other Income and Expenditure	(8,866)	(648)	(8,218)
(9,692)	(9,315)	(377)	Surplus or Deficit	2,772	3,125	(353)
(22,580)	-	-	Opening General Fund and HRA Balance	(25,352)	-	-
(9,692)	-	-	Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	2,772	-	-
(32,272)	-	-	Closing General Fund and HRA Balance at 31 March	(22,580)	-	-

Note 7a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(520)	(105)	0	0	(625)
Help me be financially independent (including Education and Skills)	(55)	(212)	0	0	(267)
Help me find somewhere to live in my locality	(157)	(121)	0	0	(278)
Help me to live my life independently (including Health and Activity)	(45)	(184)	0	0	(229)
Help me run a successful business	(248)	(11)	0	0	(259)
Keep my place safe and looking good	(1,745)	(1,095)	0	0	(2,840)
Provide good things for me to see, do and visit	(1,258)	(92)	0	0	(1,350)
Local authority housing - (HRA)	(5,861)	(416)	0	0	(6,277)
Net Cost of Services	(9,889)	(2,236)	0	0	(12,125)
Other Income and Expenditure from the Expenditure and Funding Analysis	2,810	0	0	0	2,810
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,079)	(2,236)	0	0	(9,315)

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(387)	1,843	0	(629)	827
Help me be financially independent (including Education and Skills)		(374)	0	0	(374)
Help me find somewhere to live in my locality	(683)	(123)	0	0	(806)
Help me to live my life independently (including Health and Activity)	(69)	(268)	0	0	(337)
Help me run a successful business	(286)	(19)	0	0	(305)
Keep my place safe and looking good	(771)	(133)	0	0	(904)
Provide good things for me to see, do and visit	(940)	(147)	0	0	(1,087)
Local authority housing - (HRA)	2,844	(952)	0	4,867	6,759
Net Cost of Services	(292)	(173)	0	4,238	3,773
Other Income and Expenditure from the Expenditure and Funding Analysis	2,258	(1,734)	3,150	(4,322)	(648)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,966	(1,907)	3,150	(84)	3,125

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2020/21	Revenue from External Customers	Depreciation and Amortisation	Non-Cash
	£000	£000	£000
Enabling of the Authority	(2,877)	520	0
Help me be financially independent (including Education and Skills)	(951)	55	0
Help me find somewhere to live in my locality	(326)	157	0
Help me to live my life independently (including Health and Activity)	(1,429)	45	0
Help me run a successful business	(911)	248	0
Keep my place safe and looking good	(3,016)	1,745	0
Provide good things for me to see, do and visit	(448)	1,258	0
Local authority housing - (HRA)	(24,191)	5,861	0
Total Income Analysed on a Segmental Basis	(34,149)	9,889	0

RECLASSIFIED			
2019/20	Revenue from External Customers	Depreciation and Amortisation	Non-Cash
	£000	£000	£000
Enabling of the Authority	(2,300)	387	0
Help me be financially independent (including Education and Skills)	(1,406)	0	0
Help me find somewhere to live in my locality	(536)	0	0
Help me to live my life independently (including Health and Activity)	(1,620)	69	0
Help me run a successful business	(1,458)	257	0
Keep my place safe and looking good	(3,034)	815	0
Provide good things for me to see, do and visit	(615)	712	0
Local authority housing - (HRA)	(24,124)	5,869	69
Total Income Analysed on a Segmental Basis	(35,093)	8,109	69

Note 8 Expenditure and Income Analysed by Nature

The Authority's expenditure and income are analysed as follows:

Expenditure:	2020/21 £000	2019/20 £000
Employee Benefits Expenses	15,255	16,740
Other Services Expenditure	56,887	35,082
Depreciation and Amortisation	10,247	8,109
Revaluation of HRA dwellings reversing previous losses		69
Interest Payments	8,075	5,298
Precepts and Levies	5	8
Payments to Housing Capital Receipts Pool	776	850
Gain on the Disposal of Assets	(321)	(1,193)

Income:	2020/21 £000	2019/20 £000
Fees, Charges and other service Income	(34,227)	(35,093)
Interest and Investment Income	(2,511)	(70)
Income for Council tax, non-domestic rates, district rate income	(9,098)	(11,212)
Government grants and Contributions	(45,010)	(18,941)
Other Income	(455)	0
(Surplus) or Deficit on the Provision of Services	(377)	(353)

The Council Policy on fees and charges is that:

- All services should be charged where it is appropriate to do so unless there are conflicting policies or legal reasons not to do so.
- The charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.
- Decisions to subsidise services, or to not make a charge for a service should be clearly linked to Council objectives, and the potential income that is not earned must be a consideration in the decision.
- Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the service unit.
- Charges must be linked to both service and strategic objectives and must be clearly understood.
- The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.
- Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services.
- Where appropriate annual inflationary uplifts will be applied through the budget setting process, this will be agreed by the Council as part of the budget setting process.

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact upon the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities - however, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Usable Reserves						
2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	619	727	0	0	0	(1,346)
Council tax and NDR (transfers to or from the Collection Fund)	8,119	0	0	0	0	(8,119)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,132	7,430	0	0		(12,561)
Total Adjustments to Revenue Resources	13,870	8,157	0	0	0	(22,026)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(2,107)	2,107	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	39	(39)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	776	0	(776)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,683)	0	5,683	0	0
Use of flexible capital receipts to fund service reform	677		(677)	0	0	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(845)	0	0	0	0	845
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,694)	0	0	0	1,694
Total Adjustments to Revenue Resources	608	(9,445)	615	5,683	0	2,539
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,481)	0	0	1,481
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2,531)	0	2,531
Application of capital grants to finance capital expenditure	(839)	0	0	0	375	464
Cash payments in relation to deferred capital receipts			207			(207)
Total Adjustments to Capital Resources	(839)	0	(1,274)	(2,531)	375	4,269
Total Adjustments	13,639	(1,288)	(659)	3,152	375	(15,218)

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Usable Reserves						
2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repair Reserves	Capital Grants Unapplied	Movement in unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	(19)	1,927	0	0	0	(1,908)
Council tax and NDR (transfers to or from the Collection Fund)	(3,150)	0	0	0	0	3,150
Revaluation Gain	0	0	0	0		
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0	0	0	0		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,433	9,370	0	0	0	(11,803)
Total Adjustments to Revenue Resources	(736)	11,297	0	0	0	(10,561)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(411)	(4,299)	4,710	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	85	(85)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	850	0	(850)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,869)	0	5,869	0	0
Use of flexible capital receipts to fund service reform	100	0	(100)	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(851)	0	0	0	0	851
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(2,913)	0	0	0	2,913
Total Adjustments to Revenue Resources	(312)	(12,996)	3,675	5,869	0	3,764
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,744)	0	0	2,744
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(2,194)	0	2,194
Application of capital grants to finance capital expenditure	(377)	0	0	0	249	128
Total Adjustments to Capital Resources	(377)	0	(2,744)	(2,194)	249	5,066
Total Adjustments	(1,425)	(1,699)	931	3,675	249	(1,731)

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20 and 2020/21.

	Balance as at 1 April 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance as at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance as at 31 March 2021 £000
General Fund:							
Business Rate grants	7	0	(7)	0	0	0	0
Business Rates Retention Scheme	3,246	2,002	(3,252)	1,996	1,086	0	3,082
Support for Commercialism	28	0	(28)	0	0	0	0
Community Development	4	65	(2)	67	7	0	74
Community Safety	225	302	(225)	302	323	(272)	353
Corporate Services	150	150	(150)	150	4,502	(1)	4,651
Customer Services	12	0	(12)	0	93	0	93
Economic Growth	0	330	0	330	0	0	330
Electoral Services	40	23	(19)	44	5	0	49
Environmental Vehicles	0	0	0	0	29	0	29
Equalities	11	0	(11)	0	0	0	0
Equipment replacement	73	0	(26)	47	0	(22)	25
Financial Services	55	32	0	87	0	0	87
General Risk reserve	17	35	(7)	45	0	0	45
Housing Benefit Implementation	200	70	0	270	0	0	270
Housing Support	724	118	(97)	745	283		1,028
Land Charges	9	0	0	9	0	0	9
Land Drainage	141	0	(12)	129	0	0	129
Parks & Open spaces	23	8	(23)	8	0	0	8
Planning Services	30	678	(39)	669	0	(271)	398
Public Donations - Shop mobility	6	0	(6)	0	0	0	0
Sports Development	63	68	(63)	68	0	(59)	9
Town Centre	45	0	(43)	2	5	0	7
Warmer Homes	12	0	0	12	4	0	16
Transformational Growth				0	123	0	123
Pensions				0	201	0	201
Regeneration Income				0	273	0	273
Covid-19 (General)				0	580	0	580
Covid-19 (Collection Fund)				0	4,433	0	4,433
Total General Fund	5,121	3,881	(4,022)	4,980	11,947	(625)	16,302
HRA							
Housing Capital	18,235	0	(2,977)	15,258	0	(1,694)	13,564
Total HRA	18,235	0	(2,977)	15,258	0	(1,694)	13,564
Total Earmarked Reserves	23,356	3,881	(6,999)	20,238	11,947	(2,319)	29,866

Notes to the Financial Statements for the year ended 31st March 2021

Note 11 Other Operating Expenditure

	2020/21 £000	2019/20 £000
Parish Council precepts	5	8
Impairment Loss	2,474	0
Payments to the Government Housing Capital Receipts Pool	776	850
Gains/losses on the disposal of non-current assets	(321)	(1,193)
Use of flexible capital receipts to fund service reform	0	100
Total	2,934	(235)

Note 12 Financing and Investment Income and Expenditure

	2020/21 £000	2019/20 £000
Interest payable and similar charges	3,656	3,564
Net interest on the net defined benefit liability (asset)	1,558	1,734
Interest receivable and similar income	(70)	(70)
Income and expenditure in relation to investment properties and changes in their fair value	0	0
Other investment income	(39)	0
Total	5,105	5,228

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2020/21 £000	2019/20 £000
Income		
Council Tax Income	(6,376)	(6,318)
Non-Domestic Rates Income and Expenditure	4,688	(4,894)
Non-ring-fenced government grants	(7,381)	(876)
Income from a Business Rates Supplement	0	0
Capital Grants and Contributions	(839)	(1,123)
Total	(9,909)	(13,211)

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2020	296,552	9,938	31,030	4,075	4,028	1,378	540	2,286	349,827
Adjustments re prior years	6,018	1	(5,256)	8,170	1,006	(43)	0	(405)	9,490
Adjusted opening balance	302,570	9,939	25,774	12,245	5,034	1,335	540	1,881	359,317
Additions (Note 35)	5,427	0		790	525		5,138		11,880
Revaluation increases/decreases to Revaluation Reserve	13,859		3,149	0	0	0	0	0	17,008
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	(2,478)	0	0	0	0	0	(2,478)
Derecognition - Disposals	(1,747)	0	0	0	0	0	0	0	(1,747)
Reclassifications & Transfers	0	0	(899)	0	0	0	0	0	(899)
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	320,109	9,939	25,546	13,035	5,560	1,335	5,678	1,881	383,083
Depreciation and Impairment									
Balance as at 1 April 2020	(2,390)	0	1,688	(8,171)	(1,008)	43	0	0	(9,839)
Depreciation Charge	(5,579)	0	(1,295)	(727)	(143)	0	0	0	(7,743)
Depreciation written out on Revaluation Reserve	0	0		0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	(7,969)	0	393	(8,898)	(1,151)	43	0	0	(17,582)
Net Book Value									
Balance as at 31 March 2021	312,140	9,939	25,939	4,137	4,408	1,378	5,678	1,881	365,500
Balance as at 1 April 2020	296,552	9,938	31,030	4,075	4,028	1,335	540	2,286	349,827

Page 144

Agenda Item 7

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 14a Comparative Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2019	279,519	9,274	37,458	13,516	4,788	1,378	135	1,750	347,818
Adjustments re prior year		(215)	215						0
Balance as at 1st April 2019	279,519	9,059	37,673	13,516	4,788	1,378	135	1,750	347,818
Additions (Note 36)	7,271	260	854	184	258		405		9,232
Donations									0
Revaluation increases/decreases to Revaluation Reserve	13,114	648	(6,344)	0	0	0	0	536	7,954
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	80	(28)	(345)	0	0	0	0	0	(293)
Derecognition - Disposals	(3,432)	0	0	0	0	0	0	0	(3,432)
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0
Balance as at 31st March 2020	296,552	9,939	31,837	13,700	5,046	1,378	540	2,286	361,279
Depreciation and Impairment									
Balance as at 1st April 2019	0	0	(1,008)	(8,699)	(876)	0	0	0	(10,583)
Adjustments relating to 2018-19	0	0				0	0	0	0
Adjusted opening balance	0	0	(1,008)	(8,699)	(876)	0	0	0	(10,583)
Depreciation Charge	(5,596)	0	(1,341)	(926)	(142)	0	0	0	(8,005)
Depreciation written out on Revaluation Reserve	5,596	0	1,542	0	0	0	0	0	7,138
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	0		0	0	0	0	0	0
Balance as at 31st March 2020	0	0	(807)	(9,625)	(1,018)	0	0	0	(11,450)
Net Book Value									
Balance as at 31st March 2020	296,552	9,938	31,030	4,075	4,028	1,378	540	2,286	349,827
Balance as at 31st March 2019	279,519	9,274	36,450	4,817	3,912	1,378	135	1,750	337,235

Page 145
Agenda Item 7

Depreciation

All assets have been depreciated using a reducing balance method. For the Housing Revenue Account, the depreciation calculation is based on the replacement cost and useful life of major components - bathroom, kitchen, roof, rewire, central heating boiler, central heating system, windows, and the structure.

The Council's valuers and surveyors have determined the useful economic life of the assets.

Buildings have a useful life of between 15 to 100 years.

Vehicles, plant and equipment and software licences have a useful life between 5 to 10 years.

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31st March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2020/21.

Valuations of land and buildings are conducted in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of non-current assets carried at current value:

	Dwellings £000	Land £000	Buildings £000	Surplus Assets £000	Other Assets £000	Total £000
Valued at Historical cost	0	0	0	0	10,019	10,019
Valued at current value in:						
2020/21	15,587	259	(5,352)	(405)	5,582	15,674
2019/20	296,553	3,063	19,861	2,286	0	321,763
2018/19	0	5,128	8,678	0	0	13,806
2017/18	0	918	1,444	0	0	2,362
2016/17	0	74	558	0	0	632
2015/16	0	497	750	0	0	1,247
Total	312,140	9,939	25,939	1,881	15,601	365,501

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020 has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The land and building valuations are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. From 2020/21 the share of assets and liabilities will revert to 40%.

Note 15 Investment Properties

The Authority holds £0.899m in investment properties.

	2019/20 £000	2020/21 £000
Balance as at 1 April	0	0
Purchases	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	0	0
Reclassifications	0	899,474
Recognitions	0	0
Total	0	899,474

Note 16 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.024m (£0.101m 2019/20) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service. All software is assigned a useful life of seven years.

The Movement in Intangible Assets for the Year is as follows:

	2020/21		2019/20	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Balance at start of year:				
· Gross carrying amounts	1,736	1,736	1,776	1,776
· Accumulated amortisation	(1,664)	(1,664)	(1,603)	(1,603)
Net carrying amount at start of year	72	72	173	173
Additions:				
· Purchases	281	281	580	580
Net carrying amount after additions	353	353	753	753
Amortisation for the period	(24)	(24)	(101)	(101)
Net carrying amount at end of year	329	329	652	652
Comprising:				
· Gross carrying amounts	2,017	2,017	2,356	2,356
· Accumulated amortisation	(1,688)	(1,688)	(1,704)	(1,704)
Net carrying amount at end of year	329	329	652	652

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 17 Financial Instrument Fair Value Disclosures

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	855	1,511	0	0	855	1,511	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	10,000	9,750	0	8,202	10,000	17,952	0	0	0	952	0	952
Total Financial Assets	10,855	11,261	0	8,202	10,855	19,463	0	0	208	952	208	952
Non-Financial Assets	0	0	1,009	1,009	1,009	1,009	0	0	0	0	0	0
Total	10,855	11,261	1,009	9,211	11,864	20,472	0	0	208	952	208	952
	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised Cost	0	0	0	(6,311)	0	(6,311)	(105,271)	(104,063)	0	0	(105,271)	(103,929)
Total Financial Liabilities	0	0	0	(6,311)	0	(6,311)	(105,271)	(103,929)	0	0	(105,271)	(103,929)
Non-Financial Liabilities	0	0	(7,720)	(7,720)	(7,720)	(7,720)	0	0	0	0	0	0
Total	0	0	(7,720)	(14,031)	(7,720)	(14,031)	(105,271)	(104,063)	0	0	(105,271)	(104,063)

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Soft Loans

	2020/21	2019/20
	£000	£000
Opening Soft Loans	907	916
Nominal Value of New Loans Granted During the Period	38	38
The fair value adjustment on initial recognition	(8)	(8)
Loans Repaid During the Period	(57)	(57)
The fair value adjustment on reclassification/prior year advances	18	18
Nominal value of loans at the end of the period	898	907

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years which will be repaid on the sale of the property. In all cases no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

Note 18 Inventories

	Consumable Stores	
	2020/21	2019/20
	£000	£000
Balance outstanding at start of year	277	326
Purchases	1,466	710
Recognised as an expense in year	(1,278)	(747)
Written off balances	0	(12)
Balance outstanding at year end	465	277

Note 19 Debtors

	Long term debtors		Short term debtors	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Central Government Bodies	0	0	2,071	1,062
Other Local Authorities	0	0	3,794	4,052
Other entities and individuals	952	952	7,325	5,405
Housing Rents	0	0	22,053	1,386
Less bad debt provision	0	0	(17,918)	(2,694)
Total	952	952	17,324	9,211

Included within the debtor balances are provisions for bad and doubtful debts which reduce the value of the related debtor as per the breakdown below:

	2020/21 £000	2019/20 £000
General Fund debtors		(305)
Council Tax		(807)
NNDR		(28)
Housing Benefit		(1,120)
Housing Rents		(434)
Total		(2,694)

Note 20 Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2020/21 £000	2019/20 £000
Cash and Bank balances	6,739	1,511
Bank Overdraft	0	0
Total	6,739	1,511

Note 21 Assets Held for Sale

There were no assets held for sale as at 31st March 2021. To be an asset held for sale it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probably with 12 months. The Council holds two surplus assets which do not meet the requirements of assets held for sale, details of which can be found in **Note 14**

Note 22 Creditors

	Short term creditors	
	2020/21 £000	2019/20 £000
Central Government Bodies	0	(4,486)
Other local authorities	0	(6,141)
Housing Rents prepaid	0	(613)
Other entities and individuals	(16,344)	(2,791)
Balance outstanding at year-end	(16,344)	(14,031)

Note 23 Provisions

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2021 £000
Insurance	(428)	45	0	(383)
NNDR Appeals	0	(2,870)	0	(2,870)
Employee Benefit	(128)	0	0	(128)
Total	(556)	(2,825)	0	(3,381)

Comparative Year

	Balance as at 1 April 2019 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2020 £000
Insurance Claims	(528)	(35)	135	(428)
NNDR Appeals	(2,630)	2,630	0	0
Employee Benefit	(128)	0	0	(128)
Total	(3,286)	2,595	135	(556)

Note 24 Group Accounts**Business Rates Appeals Provision**

Within the Collection Fund the Council has set aside provision for any potential liabilities because of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge has been upheld in May 2020 and payments have been made during the financial year.

Unlike previous years there is no allocation of the business rate appeals to the Council because of the arrangements in place in 2020/21 whereby Worcestershire County Council have taken the lead on a Pilot Business Rate Pool covering all of Worcestershire securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

The Council also holds a provision for potential insurance claims, this is currently £0.383m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

1.1 Nature of the relationship between Redditch Borough Council and Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1st December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council.

The Council continue to own the buildings and Rubicon operate services at the following sites:

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winyates Green Meeting Rooms
- Arrow Valley Visitor Centre (from 1st April 2020)

During the first four months of trading the Company made a surplus of £0.030m which is reflected in 2018/19. In 2019/20 the Company operated at breakeven after receiving £0.413m additional management fee from the Council. In 20/21 the company made a loss of £2.25m. The company activity is included in the Group CIES, MIRS and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors, this is to avoid a double count. In addition, the Company inventory, cash, and reserves are reflected in the Group Balance Sheet.

There is no goodwill as the group did not arise through a purchase.

1.2 Reconciliation of Group Movement in Reserves Statement to the Group Balance Sheet

	31st March 2021 £000	31st March 2020 £000
Total Authority Reserves	193,224	178,765
Rubicon Leisure Limited Retained Earnings at 31st March	(2,253)	30
Rubicon Pension Deficit	0	(2,601)
Total Reserves in the Group Balance Sheet	190,970	176,194

Note 25 Usable Reserves

	31/03/2021	31/03/2020
	£000	£000
Capital Receipt Reserve	7,151	7,810
Capital Grants Unapplied	2,779	2,404
Major Repairs Reserve	12,693	9,541
HRA Balances	2,032	744
HRA Earmarked Reserves	13,565	15,259
General Fund Balances	5,105	1,599
General Fund Earmarked Reserves	14,607	4,979
Paolozzi Mosaics	0	105
Total Usable Reserves	57,931	42,335

Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2021	31/03/2020
	£000	£000
Balance 1st April	7,810	6,879
Capital Receipts in year	2,068	4,625
Sub-Total	9,878	11,504
Less:		
Capital Receipts Pooled	(776)	(850)
Capital Receipts used for financing	(1,481)	(2,744)
Use of flexible capital receipts for service reform	(677)	(100)
Balance 31st March	6,944	7,810

The main capital receipts were from the sale of the council houses.

Capital Grants Unapplied

	31/03/2021 £000	31/03/2020 £000
Balance on 1st April	2,404	2,155
Unapplied Capital Grants received in year	839	377
Capital Grants applied in year to finance capital projects	(464)	(128)
Balance on 31st March	2,779	2,404

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.869m in the year. The reserve was used to finance £2.194m of the Housing Investment Programme increasing the balance held in the reserve from £5.866m to £9.541m.

	31/03/2021 £000	31/03/2020 £000
Balance at 1st April	9,541	5,866
Depreciation	5,684	5,869
Capital expenditure on HRA Land, Houses and Other Property	(2,532)	(2,194)
Balance at 31st March	12,693	9,541

Note 26 Unusable Reserves

	31/03/2021	31/03/2020 £000
Revaluation Reserve	68,819	52,214
Capital Adjustment Account	152,124	157,877
Pensions Reserve	(76,496)	(74,093)
Collection Fund Adjustment Account	(7,559)	560
Accumulated Absences Account	(127)	(127)
Total Unusable Reserves	136,760	136,430

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	51,811	37,497
Upward revaluation of assets	17,008	15,090
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	17,008	15,090
Difference between fair value depreciation and historical cost depreciation	0	(373)
Amount written off to the Capital Adjustment Account	0	(373)
Balance at 31st March	68,819	52,214

Capital Adjustment Account

	31/03/2021		31/03/2020
	£000	£000	£000
Balance at 1st April		157,877	160,477
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(7,874)		(8,008)
Revaluation losses on Property, Plant and Equipment	(2,478)		(293)
Amortisation of Intangible Assets	0		(101)
Revenue expenditure funded from capital under statute	(463)		(715)
Amounts of noncurrent assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,747)		(3,432)
		(12,561)	(12,549)
Adjusting amounts written out of the Revaluation Reserve		0	0
Recognition of Long-Term Debtors which in previous years were treated as revenue expenditure charged to capital under statute			373
Net written out amount of the cost of non-current assets consumed in the year		(12,561)	(12,176)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	1,481		2,744
Use of the Major Repairs Reserve to finance new capital expenditure	2,531		2,194
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	464		746
Application of grants to capital financing from the Capital Grants Unapplied Account	0		128
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	845		851
Capital expenditure charged against the General Fund and HRA balances	1,694		2,913
		7,015	9,576
Deferred Capital Receipts realised		(207)	0
Balance at 31st March		152,124	157,877

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	(74,093)	(76,570)
Remeasurements of the net defined benefit liability/(asset)	(1,057)	4,385
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,701)	(5,683)
Employers' pensions contributions and direct payments to pensioners payable in the year	3,355	3,775
Balance at 31st March	(76,496)	(74,093)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	560	(2,590)
Amount by which Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(8,119)	3,150
Balance at 31st March	(7,559)	560

Accumulated Absences Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	(127)	(127)
Settlement or cancellation of accrual made at the end of the preceding year	127	127
Amounts accrued at the end of the current year	(127)	(127)
Balance at 31st March	(127)	(127)

Note 27

Cash Flow Statement - operating activities

	Authority	Group	Authority	Group
	2020/21	2020/21	2019/20	2019/20
	£000	£000	£000	£000
Interest Paid	(7,613)	(7,613)	(3,553)	(3,553)
Interest Received	7	7	70	70
	2020/21	2020/21	2019/20	2019/20
	£000	£000	£000	£000
Adjustment to surplus or deficit on the provision of services for non-cash movements				
Depreciation	(7,857)	(7,857)	8,008	8,010
Impairment & downward valuations	(2,478)	(2,478)	(572)	(572)
Amortisation	(17)	(17)	100	100
(Increase)/Decrease in Debtors	8,113	(9,662)	(2,414)	(3,384)
Increase/(Decrease) in Creditors	(15,039)	2,632	(370)	757
(Increase)/Decrease in Inventories	188	186	52	50
Movement in pension liability	(3,046)	(3,046)	5,550	6,024
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	(1,747)	(1,747)	4,298	4,298
Other items charged to the net surplus or deficit on provision of services	(2,825)	(2,825)	(2,716)	(2,716)
Total	(24,708)	(24,813)	11,936	12,567

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from the sale of PP&E, investment property and intangible assets			(4,710)	(4,710)
Any other items	673	463	(1,223)	(1,223)
Total	673	463	(5,933)	(5,933)

Note 28

Cash Flow from Investing Activities

	2020/21	2019/20
	£000	£000
Purchase of PP&E, investment property and intangible assets	(6,265)	(9,499)
Purchase of Short-Term Investments (not considered to be cash equivalents)	0	(200,250)
Other Payments for Investing Activities	(7,207)	(38)
Proceeds from the sale of PP&E, investment property and intangible assets	2,106	4,710
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	195,000
Other Receipts from Investing Activities	(9,164)	1,369
Net Cash flows from Investing Activities	(20,530)	(8,708)

Note 29

Cash flows from Financing Activities

	2020/21	2019/20
	£000	£000
Cash Receipts from Short- and Long-Term Borrowing	0	3,500
Repayment of Short- and Long-Term Borrowing	0	(9,500)
Other payments for Financing Activities	0	8,725
Net Cash flows from Financing Activities	0	2,725

Note 30 Reconciliation of Liabilities from Financial Activities

2020/21

	Long Term Borrowing £000	Short-term borrowing £000
Balance as at 1st April 2020	(104,063)	0
Cashflows:	0	
Repayments	0	
Borrowing	(1,658)	10,000
Balance as at 31st March 2021	(105,721)	10,000

Note 31 Members' Allowances

	2020/21 £000	2019/20 £000
Salaries	128	126
Allowances	95	88
Expenses	7	12
Total	230	226

Note 32 External Audit Costs

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors.

	2020/21 £000	2019/20 £000
Housing Benefit Fee Variations 2016/17	0	0
Housing Benefit Fee Variations 2017/18	0	0
Fee Variations agreed for External Audit 2017/18 *	0	0
Fee Variations agreed for External Audit 2018/19 *	0	13
Fee Variations agreed for External Audit 2020/21 *	26	0
Housing Benefit Audit	28	24
Fees payable with regard to external audit services carried out by the appointed auditor for the year*	42	53
Estimated Additional fees to be incurred **	0	7
Total	96	97

Note 33 Employees Remuneration

Since 2010/11 the management team has been shared between Redditch Borough Council and Bromsgrove District Council, with each authority being charged 50% of the cost of each post.

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services	2020/21	111,236	20,690	131,926	65,963	65,963
	2019/20	108,254	15,913	124,167	62,084	62,084
TOTAL	2020/21	111,236	20,690	131,926	65,963	65,963
	2019/20	108,254	15,913	124,167	62,084	62,083

Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total £
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2020/21	139,045	24,750	163,795	81,898	81,898
	2019/20	135,317	19,486	154,803	77,402	77,402
Executive Director of Finance & Resources	2020/21	66,302	11,169	77,471	38,736	38,736
	2019/20	100,134	14,419	114,553	57,277	57,277
Head of Legal & Democratic Services	2020/21	85,095	15,486	100,581	50,291	50,291
	2019/20	82,814	11,925	94,739	47,370	47,370
TOTAL	2020/21	290,442	51,405	341,847	170,924	170,924
	2019/20	318,266	45,830	364,096	182,048	182,049

Senior Employees' Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Redditch Borough Council

	2020/21	2019/20
£50,001 to £55,000	1	0
£55,001 to £60,000	0	2
£60,001 to £65,000	1	1
£65,001 to £70,000	0	1
£70,001 to £75,000	0	0
£75,001 to £80,000	1	0
£80,001 to £85,000	0	3
£85,001 to £90,000	3	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
Total	6	7

Bromsgrove District Council

	2020/21	2019/20
£50,001 to £55,000	0	2
£55,001 to £60,000	2	9
£60,001 to £65,000	9	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	1
£85,001 to £90,000	1	0
£90,001 to £95,000	0	1
£95,001 to £100,000	1	0
Total	13	15

Exit Packages

The Council had a number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

Redditch Borough Council

Notes to the Financial Statements for the year ended 31st March 2021

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	0	0	10	7	10	7	59,104	25,440
£20,001 - £40,000	0	0	2	1	2	1	63,446	20,465
£40,001 - £60,000	0	0	2	0	2	0	86,809	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0	0	0
£200,000 - £250,000	0	0	0	0	0	0	0	0
Total cost included in bandings							209,359	45,905
Recharge to Bromsgrove District Council							0	0
Cost to Redditch Borough Council							209,359	45,905
Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council							19,623	0
Total cost included in the CIES							228,982	45,905

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

Credited to Taxation and Non-Specific Grant Income	2020/21 £000	2019/20 £000
Revenue Support Grant	0	0
New Homes Bonus	(926)	(754)
S31	(1,272)	0
Other Government Grants	0	(126)
Capital Grants	0	(1,129)
Total	(2,198)	(2,004)

Credited to Services	2020/21 £000	2019/20 £000
Cabinet Office - Individual Electoral Registration	0	(20)
MHCLG - Council Tax Support Admin Subsidy	(95)	(97)
MHCLG - Local Plans	0	
MHCLG - Cost of Collection	(107)	(107)
MHCLG - Homelessness Grant	(291)	(223)
MHCLG - Town Deal	0	(173)
MHCLG - COVID-19	0	(13)
MHCLG - New Burdens	0	(11)
MHCLG - Other Grant Income	0	(30)
DWP - Benefit Schemes	(77)	(75)
DWP - Discretionary Housing	(51)	(77)
DWP - Housing Benefit Subsidy	(14,551)	(15,538)
DWP - Housing Benefit Subsidy Admin Grant	(224)	(221)
Bus Grant	0	(7)
Worcestershire County Council - Redditch Centre Development	0	(250)
Worcestershire County Council - Positive Activity Fund	0	(64)
Sports Partnership	(19)	(27)
Apprenticeship Levy	0	(4)
Other Grants	(381)	0
MHCLG Covid-19 Emergency Grant	(1,417)	0
MHCLG Covid-19 Sales, Fees and Charges Grant	(361)	0
WCC Food and Essential Supplies	(88)	0
Total	(17,662)	(16,937)

The following grants have been removed from income and expenditure on the CIES; the Council acts as an agent for the purpose of distributing these grants. Given the Covid-19 pandemic the Council was required by Central Government to distribute the grants below in line with their criteria and funding levels.

	2020/21 £000	2019/20 £000
Covid-19 Business Support Grants (Tranche 1)	(121)	0
Covid-19 Business Support Grants (Tranche 2)	(14,329)	0
Covid-19 Test and Trace Support Payments - Self Isolation Payments	(4,265)	0
Total	(18,715)	0

Grants Received in Advance (Revenue)	2020/21 £000	2019/20 £000
Covid-19 S31 grant	(8,325)	0
Total	(8,325)	0

Grants Received in Advance (Capital)	2020/21 £000	2019/20 £000
Disabled Facilities Grant	2,303	727
Total	2,303	727

Note 35 Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Council have considered the materiality of the transactions from both the Council's and the related parties perspective.

Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note 34**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in **Note 31**. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

Many Redditch Borough Councillors are also County Councillors and/or elected members of the Parish Council.

In 2020/21 all members have completed a register of members' disclosable pecuniary interest. A member has declared an interest in the Town Centre Partnership. The Town Centre Partnership have been working with the Council on the Business Improvement District (BID) Scheme where local businesses have voted to invest in the local trading environment of which Redditch Council is a member.

Officers

There were no disclosures made by officers in 2020/21.

Entities Controlled or Significantly Influenced by the Authority

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £0.619m for hosting Environmental Health and Licensing (£0.558m in 2019/20).

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it. The details of the transactions between the Council and Rubicon Leisure can be seen in **Note 24**.

Note 36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR) which is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement	140,326	139,589
Capital Investment		
Property, Plant and Equipment	11,880	9,232
Intangible Assets	1,027	580
Heritage Assets	0	0
Long Term Debtors	38	38
Revenue Expenditure Funded from Capital under Statute	463	715
Total Capital investments	13,408	10,566
Sources of finance		
Capital receipts	(1,481)	(2,744)
Government grants and other contributions	(464)	(874)
Major Repairs Allowance	(2,531)	(2,194)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	0	0
HRA	(1,694)	(2,913)
Minimum Revenue Provision	(845)	(851)
Total Sources of Finance	(7,015)	(9,576)
Long Term Debtors previously financed through CFR	0	0
Closing Capital Finance Requirement	146,719	140,578
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,393	989
Increase/(decrease) in Capital Financing Requirement	6,393	989

Note 37 Leases

Operating and Finance Leases

Authority as Lessee:*Operating Leases (Authority as lessee)*

The Rubicon Centre is leased with a remaining lease period to 31st July 2023 with the option of a break on 31st July 2021. This is a business centre sublet to small businesses. The expenditure and income charged to the services in the CIES during the year are set out below:

	2020/21 £000	2019/20 £000
Minimum lease payments	240	240
Less: Sublease payments receivable	(117)	(117)
Total	123	123

The Council leases multifunctional devises (MFD's) through a lease that commenced in 2018/19 for an initial period until 31st July 2021 and an option to extend to 31st July 2023. The future minimum payments under non-cancellable operating leases in future years are set out below:

	2020/21 £000	2019/20 £000
Minimum lease rentals payable:		
No later than 1 year	43	43
Later than 1 year and no later than 5 years	10	10
Total	53	53

The Council has no finance leases.

Authority as Lessor:*Operating Leases*

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports and community facilities.
- for economic development purposes to provide suitable affordable accommodation for small local businesses .
- any other purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2021 £000	31/03/2020 £000
No later than 1 year	363	363
Later than 1 year and no later than 5 years	1,263	1,263
Later than 5 years	1,681	1,681
Total	3,307	3,307

Finance Leases

The Council has no finance leases.

Note 38 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,123	3,217	0	0
Past service cost and Curtailments	20	732	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,484	1,643	74	91
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	4,627	5,592	74	91

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	(21,414)	8,101	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(5,316)	0	(94)
Actuarial (gains) and losses arising on changes in financial assumptions	25,946	(3,165)	327	(41)
Actuarial (gains)/losses from experience	(3,766)	(3,589)	(75)	(318)
Other	39	37	0	0
Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	805	(3,932)	252	(453)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	5,432	1,660	326	(362)

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,627)	(5,592)	(74)	(91)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	3,086	3,499		
Retirement benefits payable to pensioners			269	276

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Present value of the defined obligation	(192,948)	(168,638)	(3,294)	(3,237)
Fair value of plan assets	119,745	97,781	0	0
Net liability arising from the defined benefit obligation	(73,203)	(70,858)	(3,294)	(3,237)

Net Liability and Pension Strain		Local Government Pension Scheme	
		2020/21	2019/20
		£000	£000
Local Government Pension Scheme		(73,203)	(70,858)
Discretionary Benefits		(3,294)	(3,237)
Sub-total		(76,497)	(74,095)
Advance Payment of Pension Contributions		5,799	0
Net liability arising from the defined benefit obligation		(70,698)	(74,095)

The present value of the defined obligations includes as an estimated cost following the decision of the Sargeant/McCloud cases (generally referred to as McCloud) which rules that the transitional protections offered to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes including the Local Government Pension Scheme. However, whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

In April 2020, the Council made an advance payment of pension contributions 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31st March 2021 the Pension Liability is £5.799m lower than the Pension Reserve representing the advance payment relating to 2021/22 and 2022/23.

The Worcestershire Pension Fund Accounts provide more specific detail regarding the impact of Covid-19 in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

		Local Government Pension Scheme		Discretionary Benefits	
		2020/21	2019/20	2020/21	2019/20
		£000	£000	£000	£000
Opening fair value of scheme assets		97,781	104,471	0	0
Interest income		2,501	2,558		
Remeasurement gain/(loss):					
	the return on plan assets, excluding the amount included in the net interest expense	21,414	(8,110)		
Contributions from employer		3,086	3,499	269	276
Contributions from employees into the scheme		620	600		
Benefits/transfers paid		(5,618)	(5,200)	(269)	(276)
Administration costs		(39)	(37)		
Closing value of scheme assets		119,745	97,781	0	0

Reconciliation of present value of the scheme liabilities:

		Local Government Pension Scheme		Discretionary Benefits	
		2020/21	2019/20	2020/21	2019/20
		£000	£000	£000	£000
Opening balance at 1st April		(168,638)	(177,173)	(3,237)	(3,875)
Current service cost		(3,123)	(3,217)		
Interest cost		(3,985)	(4,201)	(74)	(91)
Contributions from scheme participants		(620)	(600)		
Remeasurement (gains) and losses:					
	Actuarial (gains)/losses from changes in demographic assumptions	0	5,331	0	94
	Actuarial gains/(losses) from changes in financial assumptions	(25,946)	3,165	(327)	41
Past service cost	Experience (gains/losses)	3,766	3,589	75	318
		0	(726)		
Losses/(gains) on curtailments where relevant		(20)	(6)		
Benefits/transfers paid		5,618	5,200	269	276
Balance as at 31st March		(192,948)	(168,639)	(3,294)	(3,237)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2021 £000	31/03/2020 £000
Cash and cash equivalents	0	586
Equities:		
UK quoted	144	195
Overseas quoted	36,786	23,663
PIV - UK managed	16,318	12,321
PIV - UK managed (overseas)	46,377	32,756
PIV - Overseas managed	143	98
Sub-total equity	99,768	69,033
Bonds:		
UK Corporate	0	391
Overseas Corporate	0	4,498
Other Corporate	1,900	0
UK Government Fixed	0	7,041
Overseas Government	0	98
Sub-total bonds	1,900	12,028
Property:		
European Property Fund	2,306	2,249
UK Property Debt	461	685
Overseas Property Debt	346	489
UK Property Funds	2,421	2,053
Overseas REITs	115	195
Sub-total property	5,649	5,671
Alternatives		
UK Infrastructure	4,700	4,792
European Infrastructure	3,342	2,640
US Infrastructure	2,507	1,760
UK Stock Options	417	685
Overseas Stock Options	105	(587)
Corporate Private Debt	1,358	1,173
Sub-total alternative funds	12,429	10,463
Total assets	119,746	97,781

All scheme assets have quoted prices in active markets.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1st April 2019.

The significant assumptions used by the actuary are set out below

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21	2019/20	2020/21	2019/20
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.6	22.7	22.6
Women	25.1	25.0	25.1	25.0
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.2	24.4	24.2
Women	27.1	27.0	27.1	27.0
Financial assumptions:				
Rate of inflation	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries	4.2%	3.6%	4.2%	3.6%
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Discount Rate	2.1%	2.4%	2.1%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	6,004	(6,004)
Rate of inflation (increase or decrease by 0.1%)	3,109	(3,109)
Rate of increase in salaries (increase or decrease by 0.1%)	252	(252)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,061)	3,061

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The scheme takes account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2018/19 (17 years 2017/18).

In April 2020, the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2020/21-2022/23 and 90% of the expected pension contributions for current employees for the same period. The total payment was £4.559m compared with a cost of £4.965m if the payments had been made monthly. The estimated savings are £0.257m over the three years.

Note 39 Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

The valuation listing for Business Rates was revised in 2017 and there is uncertainty surrounding the impact of this for the new check, challenge, appeal process. A provision has been made for potential Business Rates Appeals based on the known appeals made at year end, no provision has been made for appeals that have not yet been lodged as the Council are unable to make an estimate on the value of what these may be.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. In 2020/21 the share of assets and liabilities reverts to 40%.

Note 40 Contingent Assets

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

There are no Contingent Assets as at 31st March 2021.

Note 41 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's, or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment),

otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

The credit criteria in respect of financial assets held by the Council are as detailed below:

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds	£2.5m per fund or trust				

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the Debt Management Account Deposit Facility (DMADF) are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

Corporates: Loans, bonds, and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Debtors

At 31st March 2021, Redditch Borough Council had investments of £9.750m and held £1.445m in the Current Account.

The Council does not generally allow credit for customers.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council has been able to benefit from borrowing on a short-term basis at low rates from other local authorities.

Included within the long-term borrowing is a £5m loan due to mature in 2032 with an interest rate of 4.71%. In addition, the Council has borrowings of £98.929m to fund the Housing Settlement payment, secured through the Public Works Loan Board with maturities between 2032 and 2042.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2020/21, the Council had no variable long-term investments or borrowings.

Price Risk

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.

Housing Revenue Account for the year ended 31st March

	2020/21 £000	2019/20 £000
Expenditure		
Repairs & Maintenance	(4,970)	(6,275)
Supervision & Management	(6,972)	(8,292)
Rents, Rates, Taxes and other charges	(61)	(172)
Housing Revenue Account Subsidy payable	0	0
Depreciation, impairments and revaluation losses of non-current assets	(5,857)	(5,938)
Debt Management Costs	(9)	(9)
Movement in the allowance for bad debts	(184)	(88)
Sums directed by the Secretary of State or Welsh Government that are expenditure in accordance with the Code	0	0
Other	0	0
Total Expenditure	(18,053)	(20,774)
Income		
Dwelling rents	22,931	22,983
Non-dwelling rents	541	541
Charges for services and facilities	645	630
Flexible Use of Capital Receipts	0	100
Capitalisation of System Implementation Team	99	79
Contributions towards Supported Housing	59	54
Housing Revenue Account Subsidy Receivable	0	0
Sums directed by the Secretary of State or Welsh Government that are income in accordance with the Code	0	0
Other	5	0
Total Income	24,275	24,387
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	6,222	3,613
HRA Services Share of Corporate & Democratic Core	(650)	(682)
HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0	0
Net Expenditure of HRA Services	5,577	2,931
Gains/(loss) on sale of HRA Fixed Assets	321	782
Interest Payable and Similar Charges	(4,175)	(4,185)
HRA Interest and Investment Income		143
Net interest on the defined benefit liability (asset)	(841)	(975)
Capital Grants and Contributions		
Surplus or (Deficit) for Year on HRA Services	877	(1,304)

Movement on the HRA Statement

	2020/21 £000	2019/20 £000
Balance on the HRA at the end of the previous year	744	770
Surplus or (Deficit) on the HRA Income and Expenditure Statement	882	(1,304)
Adjustments between accounting basis and funding basis under statute	(1,288)	(1,669)
Net Increase or (Decrease) before transfers to or from reserves	(406)	(3,003)
Transfers (to)/from Reserves	1,694	2,977
Increase or (decrease) on the HRA for the year	1,288	(26)
Balance on the HRA at the end of the current year	2,032	744

Notes to the Housing Revenue Account

	2020/21 £000	2019/20 £000
Transfers to/(from) the Capital Adjustment Account	5,857	5,938
Gain or loss on sale of HRA non-current assets	(321)	(782)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0
HRA Share of Contributions to or from the Pension Reserve	727	1,927
Transfers to/(from) Major Repairs Reserve	(5,857)	(5,869)
Capital expenditure funded by the HRA	(1,694)	(2,913)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,288)	(1,699)

Transfers to/from Reserves

	2020/21 £000	2019/20 £000
Transfers (to)/from earmarked reserves	0	2,977
Total Transfers	0	2,977

Notes to the Housing Revenue Account

Current Year

	Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance as at 1st April 2020	296,564	3,626	534	1,510	395	302,234
Additions	5,427	0	0	0	0	5,427
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,859	415	0	10	0	14,284
Revaluation increases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(1,747)	0	0	0	0	(1,747)
Balance as at 31st March 2021	314,103	4,041	534	1,520	0	320,198
Depreciation and Impairment						
Balance as at 1st April 2020	(12)	0	(401)	0	0	(413)
Depreciation Charge	(5,579)	0	(104)	0	0	(5,683)
Depreciation written out on Revaluation Reserve	5,579	0	0	0	0	5,579
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
Balance as at 31st March 2021	(12)	0	(505)	0	0	(517)
Net Book Value						
Balance as at 31st March 2021	314,091	4,041	29	1,520	395	319,681
Balance as at 31st March 2020	296,552	3,626	133	1,510	395	302,216

Redditch Borough Council

Supplementary Statements for the year ended 31st March 2021 – Housing Revenue Account

Property, Plant & Equipment (PP&E)						
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance as at 1st April 2019	279,531	3,775	534	1,500	86	285,426
Additions	7,271	0	0	0	343	7614
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,114	0	0	10	0	13,124
Revaluation increases to Surplus or Deficit on the Provision of Services	80	(149)	0	0	0	(69)
Derecognition - Disposals	(3,432)	0	0	0	0	(3,432)
Balance as at 31st March 2020	296,564	3,626	534	1,510	429	302,663
Depreciation and Impairment						
Balance as at 1st April 2019	(12)	0	(297)	0	(17)	(326)
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0
Adjusted opening balance	(12)	0	(297)	0	(17)	(326)
Depreciation Charge	(5,596)	(152)	(104)	0	(17)	(5,869)
Depreciation written out on Revaluation Reserve	5,596	152	0	0	0	5,748
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
Balance as at 31st March 2020	(12)	0	(401)	0	(34)	(447)
Net Book Value						
Balance as at 31st March 2020	296,552	3,626	133	1,510	395	302,216
Balance as at 31st March 2019	279,519	3,775	237	1,500	69	285,100

Dwellings within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly, the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out annually valued at 1st April each year.

The vacant possession value (open market value) of Council dwellings as at 31st March 2021 was £741.383m. This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

Housing Stock

The number of dwellings in the Authority's housing stock, as at 31st March 2021, totalled 5670 properties. The type of properties are analysed below:

	2020/21	2019/20
	Number	Number
Property Type		
Flats and Maisonettes		
1 Bed	1,544	1,543
2 Bed	534	535
3 Bed	30	30
Sub-Total	2,108	2,108
Non-Permanent	41	41
Sub-Total	41	41
Houses / Bungalows		
1 Bed	654	654
2 Bed	868	872
3 Bed	1,834	1,846
4 or More	165	164
Sub-Total	3,521	3,536
Total Dwellings 31 March	5,670	5,685

Housing Revenue Account Capital Expenditure

	2020/21	2019/20
	£000	£000
Capital investment		
Operational assets	5,427	7,271
Intangible Assets	281	343
	5,708	7,614
Sources of funding		
Capital Receipts	1,482	2,507
Major Repairs Reserve	2,532	2,194
Direct Revenue Financing	1,694	2,913
	5,708	7,614

Rent Arrears

During 2020/21 total rent arrears remaining broadly the same, a summary of rent arrears and prepayments are shown in the following table:

	2020/21	2019/20
	£000	£000
Current Tenant Arrears	1,046	805
Former Tenant Arrears	376	296
Total Rent Arrears	1,422	1,101
Prepayments	(522)	(553)
Net Rent Arrears	900	548

The rent arrears and prepayments exclude supporting people balances.

Depreciation and Impairment of Non-Current Assets

	2020/21		2019/20	
	£000		£000	£000
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,579	0	5,596	0
Other Land and Buildings	159	0	152	0
Vehicles, Plant, Furniture and Equipment	104	0	104	0
Intangible Assets	18	0	17	0
Total	5,860	0	5,869	0

	2020/21	2019/20
HRA Income & Expenditure Account	£000	£000
Current Service Cost	1,698	3,136
Past Service Costs		412
Net interest expense	841	975
Total	2,539	4,523
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(1,812)	(2,596)
Movement on Pension Reserve	727	1,927

Total Capital Receipts Generated during the year

	2020/21	2019/20
	£000	£000
Council Houses	2,106	4,298
Other Property	-	1
Sub Total	2,106	4,299
Disposal Costs	(39)	(85)
Total HRA capital receipts	2,067	4,214

Collection Fund

Note 1 - Collection Fund Statement for the year ended 31 March 2021

2019/20			Collection Fund	2020/21		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(48,125)	(48,125)	Council Tax Receivable		(49,362)	(49,362)
(34,490)		(34,490)	Business Rates Receivable	(20,039)		(20,039)
(34,490)	(48,125)	(82,615)	Total amounts to be credited	(20,039)	(49,362)	(69,401)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(77)		(77)	Central Government	1,010		1,010
(3,869)	14	(3,855)	Redditch Borough Council	504	117	621
(3,095)	74	(3,021)	Worcestershire County Council	1,237	616	1,853
(696)	5	(691)	Hereford and Worcestershire Fire and Rescue	28	106	134
	12	12	Police and Crime Commissioner for West Mercia		41	41
			Precepts, demands and shares			
8,110		8,110	Central Government	16,722		16,722
0	6,249	6,249	Redditch Borough Council	13,378	6,425	19,803
24,006	32,901	56,907	Worcestershire County Council	3,010	34,450	37,460
324	2,201	2,525	Hereford and Worcestershire Fire and Rescue	334	5,917	6,252
	5,654	5,654	Police and Crime Commissioner for West Mercia		2,260	2,260
			Charges to Collection Fund			
0	0	0	Write-offs of uncollectable amounts	0	0	0
254	576	830	Increase/(decrease) in allowance for impairment	671	692	1,363
(3,222)		(3,222)	Increase/(decrease) in allowance for appeals	3,822		3,822
880		880	Transitional Protection Payments Payable	619		619
			Charges to General Fund	0		
106		106	Charge to General Fund for allowable collection costs	106		106
22,721	47,686	70,407	Total amounts to be debited	41,439	50,624	92,064
(11,769)	(439)	(12,208)	(Surplus) /deficit arising during the year	21,401	1,262	22,663
6,478	(32)	6,446	(Surplus)/deficit b/f at 1 April	(5,291)	(471)	(5,762)
(5,291)	(471)	(5,762)	(Surplus)/deficit c/f at 31 March	16,110	791	16,901

Note 2 - Council Tax Income

The amount of council tax payable is calculated by establishing a 'Council Tax Base.' This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the council tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable)

FOR THE YEAR ENDED 31st MARCH 2021

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21	14.86	5/9	8.26	135.64
A	Up to & including	40,000		7,655	4,788.48	6/9	3,192.32	162.77
B		40,001	- 52,000	11,978	9,534.08	7/9	7,415.40	189.89
C		52,001	- 68,000	7,668	6,750.35	8/9	6,000.31	217.02
D		68,001	- 88,000	4,316	3,939.55	9/9	3,939.55	244.15
E		88,001	- 120,000	3,289	3,121.55	11/9	3,815.23	298.41
F		120,001	- 160,000	1,209	1,151.42	13/9	1,663.16	352.66
G		160,001	- 320,000	468	446.72	15/9	744.53	406.92
H	More Than		320,001	18	17.00	18/9	34.00	488.30

Adjustment 0.98

Council tax base 26,276.50

FOR THE YEAR ENDED 31st MARCH 2020

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				19	13.10	5/9	7.28	132.86
A	Up to & including	40,000		7,656	4,734.60	6/9	3,156.40	159.43
B		40,001	- 52,000	11,943	9,450.00	7/9	7,350.00	186.01
C		52,001	- 68,000	7,474	6,538.70	8/9	5,812.18	212.58
D		68,001	- 88,000	4,286	3,899.70	9/9	3,899.70	239.15
E		88,001	- 120,000	3,219	3,045.30	11/9	3,722.03	292.29
F		120,001	- 160,000	1,189	1,133.10	13/9	1,636.70	345.55
G		160,001	- 320,000	462	444.80	15/9	741.33	398.58
H	More Than		320,001	18	17.00	18/9	34.00	478.30

Adjustment 0.99

Council tax base 26,096.03

The breakdown above is for Redditch Borough Council only, below is the total payable for band D equivalent for the district for all Preceptors:

	2020/21 £	2019/20 £
Redditch Borough Council	244.15	239.15
Worcestershire County Council	1,311.05	1,260.75
Police and Crime Commissioner for West Mercia	225.20	216.66
Hereford and Worcestershire Fire and Rescue	85.99	84.34
Total Council Tax for non-parish areas	1,866.39	1,800.90
Feckenham Parish Council	27.21	22.43
Total Council Tax for Feckenham	1,893.60	1,823.33

Note 3 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2020/21 the rate poundage was 51.2p (50.4p 2019/20). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at **Note 13**.

The total rateable value at 31st March 2021 was £80,866,215 (2019/20 £81.399,320).

For 2020/21 the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement.

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current.

- A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock).
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g., a community centre, or intangible, e.g., computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities, and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, based on an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

Glossary

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average Council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e., it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Glossary

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Glossary

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used, or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

Glossary

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period because of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or highly likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital.

Glossary

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.

This page is intentionally left blank



DRAFT
STATEMENT OF ACCOUNTS
2021/22



Town Hall, Walter Stranz Square, Redditch, Worcestershire B98 8AH
tel: (01527) 64252

CONTENTS

TABLE OF CONTENTS

	Page
Narrative Report	
Introduction.....	1
Our District.....	2
Strategic Purpose.....	2
National Position.....	3
Organisational Performance.....	3
Governance.....	4
Reserves, Financial Performance and Financial Position.....	4
Explanation of the Accounting Statements.....	9
Statement of Responsibilities for the Statement of Accounts.....	10
Comprehensive Income and Expenditure Account.....	11
Movement in Reserves Statement for Council and Group.....	13
Balance Sheet.....	14
Cashflow Statement.....	16
Notes to the Comprehensive Income and Expenditure Statement	
B1. Expenditure and Funding Analysis.....	18
B2. Expenditure and Income analysed by Nature.....	19
B3. Other Operating Income and Expenditure.....	20
B4. Financing and Investment Income and Expenditure.....	20
B5. Taxation and Non-Specific Income.....	20
B6. Members Allowances.....	20
B7. External Audit Costs.....	21
B8. Grant Income.....	21
B9. Officer Remuneration.....	22
B10. Termination Benefits.....	24
Notes to the Movement in Reserves Statement	
C1. Adjustments between Accounting Basis and Funding Basis Under Regulations.....	25
C2. Movements in Earmarked Reserves.....	27
C3. Usable Reserves.....	27
C4. Unusable Reserves.....	29
Notes to the Balance Sheet	
D1. Property, Plant and Equipment.....	33
D2. Investment Properties.....	35
D3. Intangible Assets.....	35
D4. Debtors.....	36
D5. Creditors.....	36
D6. Provisions.....	36
D7. Capital Expenditure and Financing.....	37
D8. Assets Held for Sale.....	38
D9. Inventories.....	38
Additional Disclosures – Technical Notes	
E1. Defined Benefit Pension Scheme.....	39
E2. Financial Instruments.....	46
E3. Nature and Extent of Risks arising from Financial Instruments.....	47
E4. Leases.....	49
E5. Accounting Policies.....	51
E6. Critical Judgements in applying Accounting Policies.....	63
E7. Accounting Standards not yet adopted.....	64

CONTENTS

E8.	Assumptions made about the future and other major sources of estimation uncertainty.....	64
E9.	Related Parties.....	64
E10.	Events after the Balance Sheet date.....	65
E11.	Contingent Assets.....	66
E12.	Contingent Liabilities.....	66
Notes to the Cashflow Statement		
F1.	Cash and Cash Equivalents.....	67
F2.	Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements....	67
F3.	Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities.....	67
F4.	Investing Activities.....	68
F5.	Financing Activities.....	68
Housing Revenue Account		
G1.	Overview.....	69
G2.	Movement on the HRA Statement.....	69
G3.	Transfers to/from reserves.....	70
G4.	Property, Plant and Equipment.....	71
G5.	Housing Stock.....	73
G6.	Housing Revenue Account Capital Expenditure.....	74
G7.	Rent Arrears.....	74
G8.	Depreciation and Impairment of Non-Current Assets.....	74
G9.	Retirement Benefits.....	74
G10.	Capital Receipts Generated.....	75
Collection Fund		
H1.	The Collection Fund Statement.....	76
H2.	Council Tax Income.....	77
H3.	Non-Domestic Rates.....	78
Annual Governance Statement.....		79
Internal Auditor's Report.....		83
Glossary.....		86

NARRATIVE REPORT

Introduction

Local Authority accounts, like those of any organisation, are prepared to comply with a series of rules and conventions set by the accounting profession. However, for Local Authorities there are many types of transaction where the law, which takes precedence, requires a different treatment from the accounting rules. This effectively means that local authorities are trying to simultaneously fulfil two conflicting sets of rules when preparing their accounts.

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for items which must be in the accounts per the accounting rules but are not allowed in them under law, and vice versa. It is the legal rules that must be used when calculating budget requirements, council tax and housing rents.

As a result, all the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. The only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements.

The Statement of Accounts brings together the major financial statements for the financial year 2021/22. The statements and the notes that accompany them give a full and clear picture of the financial position of Redditch Borough Council.

The sections are:

- **Narrative Report** – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery
- **Statement of Responsibilities** – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- **Movement in Reserves Statement** – The movement in the year on the different reserves held by the Council
- **Comprehensive Income and Expenditure Statement** – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- **Balance Sheet** – The value of the assets and liabilities recognised by the Council and the Group as at 31st March 2022
- **Cash Flow Statement** – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Notes to the Financial Accounts** – The Statements are supported by technical notes
- **The Collection Fund and Notes** – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- **Group Accounts** - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences
- **Housing Revenue Account** - The housing revenue account is a ring-fenced account used to manage our (council owned) housing stock of some 5,600 properties. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account
- **Governance Statement** - The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively
- **Internal Auditors Report** – Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts
- **Glossary**

NARRATIVE REPORT

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2021/22 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Redditch Borough Council.

Our District

Redditch Borough Council sits within the West Midlands. It has a population of 84,000 over an area of 21 square miles. It has 41,000 homes and businesses and 29 Councillors over 12 Wards (the present boundary review will reduce this to nine wards and 27 Councillors).

The Borough has an above-average number of young families; is densely populated other than outlying areas such as Feckenham; has major employment in 'traditional' manufacturing; has areas of significant deprivation; and average median incomes.

Local Councillors are elected by the community to decide how the Council should carry out its various activities. Elections are held every year for three years, with up to 10 seats contested at a time. with no election in fourth year. All out elections will be held in 2024. The council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the executive committee, which is chaired by the Leader of the Council. The executive committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

The Council, along with Bromsgrove District Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

The Council's vision is "To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of efficiently-run, high quality services that ensure those most in need receive the appropriate help, support and opportunities."

Strategic Purpose

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers to understand what goes on in our communities and have considered how we collaborate with partners to support the issues within those communities.

Taking into account what really matters to our residents it produced a set of six strategic purposes; they are based on customer demands and data and evidence about the needs of and issues affecting the people of Redditch Borough Council.

NARRATIVE REPORT



National Position

The impact of both Covid-19 and Brexit are amongst the most significant economic events which are currently facing the UK.

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot be determined with any accuracy but is likely to have a significant impact on the economy, particularly as government financial assistance ends such as furlough and business grants and the country begins to recover from covid.

The UK formally left the European Union on 31 January 2020 with a transition period that lasted until the end of December 2020. It is currently difficult to quantify what the impact has been on the council, but the most obvious implications are to importing goods.

The uncertainties about future economic conditions make medium term financial planning even more challenging for the Council. The Council will continue to monitor the impact and provide updates.

Financial Performance

The following items have had an impact on the 2021/22 Financial Statements.

Organisational Performance

Following the issuing of a Section 24 Notice in 2019, Members have shown through approvals that have been made to enable the balanced budget for 2021/22 that difficult decisions are now being made which was a concern previously raised as part of the S24 notice. This was a dramatic improvement on the prior year's performance and places the Council in a strong position moving forwards.

The Council implemented a new financial system on the 8 February 2021. This severely impacted the Council's ability to report financially during the 2021/22 financial year with the only reported financial monitoring being for period 11. Because of this, and the impact this has had on the delivery of the 2020/21 accounts, in November 2022 the External Auditors issued a further S24 Statement linked to the late delivery of the 2020/21 Accounts and the associated impact this had on the robustness of financial information until those accounts were presented and fully audited. This also impacted the delivery of these accounts. Since April 2022 the Council, with Redditch, have been operating a financial recovery plan to rectify this situation. This is reflected in the Governance Statement.

NARRATIVE REPORT

Governance

Redditch Borough Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

Governance is about how the Council ensures that it is doing the right things, in the right way.

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors
- A transparent decision-making process through Council, Executive, Planning Committee
- Review and scrutiny of decisions through the Overview and Scrutiny Committee
- Behaving with integrity supported through a Code of Conduct
- Managing risk through the Corporate Management Team and Audit Governance & Standards Committee
- Clear strategic priorities linked to the needs of our communities and customers
- Regular performance management linked to strategic priorities and managed through a dashboard which is easily accessed and updated
- Having robust and regular financial management
- Having good communication with Councillors, employees, and the community

The Council undertakes an annual review of its governance arrangements, and this is summarised in the Annual Governance Statement.

Reserves, Financial Performance and Financial Position

Financial Outlook

The Medium-Term Financial Plan 2021/22 – 2023/24 was approved by Council on 22 February 2021 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated in 2021/22 by the Covid-19 pandemic, where we have seen significant drops of income and one-off Government Grant funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

There continues to be considerable pressure facing the Council over the next three years as a result of a number of issues including:

- £1.259m additional support for Rubicon in 2021/22
- Investment in the Redditch Local Plan at £150k in 21/22 rising to £182k in 23/24

The main source of income continues to be Council tax. The Chancellors' 2021 update now allows Councils to increase Council Tax by 1.99% or £5 per annum without a referendum. The medium-term financial plan assumes a further 1.99% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a slight surplus (£44k) in 2021/22 but needs to address a shortfall in future years ranging from £0.261m in 2022/23 to £0.761m in 2023/24 to avoid using general reserves to balance the budget. Indeed, if these deficits are not addressed then General Fund Reserves fall from a relatively low level of £1.8m to a dangerously low level of £0.852m by the 1 April 2024.

NARRATIVE REPORT

	2021-22 £000	2022-23 £000	2023-24 £000
Departmental base budget	9,907	10,142	10,358
Incremental Progression/HRA recharge	-98	-57	-355
Unavoidable Pressures	1,393	58	65
Revenue Bids/Revenue impact of capital bids	230	244	224
Savings and Additional income	-1,163	-524	-545
Changes in Specific Grant/Funding Movements	198	200	304
Net Revenue Budget Requirement	10,467	10,064	10,051
FINANCING			
Reserve release	-702	-100	0
Lower Tier Services Grant	-400	0	0
Business Rates Net Position	-2,940	-2,985	-2,985
Council Tax	-6,517	-6,746	-6,941
Collection Fund Deficit (Council Tax)	63	0	0
New Homes Bonus	-334	-209	0
Investment Income	-812	-912	-1,012
MRP (Principal)	955	1,035	1,288
Interest payable	355	415	420
Discount on advanced pension payment	-179	-301	-60
Funding Total	-10,511	-9,802	-9,290
General Balances			
	2021-22 £000	2022-23 £000	2023-24 £000
Estimated opening balances 21/22 (projected)	1,831	1,875	1,613
Contribution (from) / to General Balances	44	-261	-761
Closing Balances	1,875	1,613	852

Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is managed through the Corporate Management Team and Audit Governance & Standards Committee.

Internal Audit issued a report in June 2021 with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given. The Council acknowledged that there was a risk management system in place, and there were areas of good practice. However, this was not uniform across the Council. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils. Therefore, an action plan was put in place that:

- Set up a quarterly officer Risk Board, with representatives of each service area.
- That the 4Risk system (used for logging and mitigating risks) be fully updated and reviewed at these quarterly meetings.
- Ensured that the Corporate Management Team (CMT) and the Audit Committee, be updated by way of a quarterly report on progress and review the Council's Corporate and Departmental Risks.

NARRATIVE REPORT

The most significant risk the Council faces is the implementation of its new financial system, which went live on 8 February 2021 and has impacts that are set out in the Governance Statement.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 18. This demonstrates to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2021/22 is shown below:

	2021/22 Full Year Budget	2021/22 Working Budget	2021/22 Actual	2021/22 Outturn Variance
Business Transformation & Organisational Development	1,691,534	1,629,534	1,389,154	-240,380
Community & Housing GF Services	1,593,055	901,885	991,157	89,272
Corporate Services	-2,325,036	-2,325,036	-2,752,965	-427,929
Environmental Services	2,754,034	2,754,034	3,122,261	368,227
Financial & Customer Services	1,927,215	1,397,003	2,176,160	779,157
Legal, Democratic & Property Services	2,148,378	2,148,378	1,754,979	-393,399
Planning, Regeneration & Leisure Services	1,240,592	1,177,268	988,827	-188,441
Regulatory Client	371,756	371,756	316,946	-54,810
Rubicon Client	1,134,857	1,134,857	1,103,640	-31,217
Starting Well	-32,000	-32,000	-59,009	-27,009
Overall Total	10,504,385	9,157,679	9,031,150	-126,529

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. As an example, the management accounts would record and manage any direct revenue financing of capital

NARRATIVE REPORT

expenditure within the strategic priority, but this would be recorded as other income and expenditure in the Expenditure and Funding Analysis.

The main variances to budget in each strategic area are as below. Greater detail is available in the year-end outturn report.

Business Transformation & Organisational Development – outturn position £240k underspend

Within Business Transformation & Organisational Development there are three budgets in particular that have a significant forecast outturn variance against budget:

- Human Resources underspend of £48k – the most significant factor in this is the Corporate Training underspend.
- ICT underspend of £75k – due to vacant posts and savings on ICT purchases.
- Corporate Staff Costs underspend of £83k – this is due to vacant posts.

The remaining £34k is various smaller under/overspends within the service.

Community and Housing General Fund Services - outturn position £89k overspend

Within Community and Housing General Fund Services, there is an overspend of £89k. £39k of this is due to Shopmobility and £65k due to Community Safety - this is made up of vacancy and pension savings, including the Community Services Manager Post and CCTV shared services savings. There are small underspends amounting to £15k.

Corporate Services - outturn position £428k underspend

Within Corporate Services the 'Corporate' service areas has an underspend of £264k. This is made up of additional external audit fees of £46k together with unallocated savings of £310k. There is an underspend on Pension Costs amounting to £129k due to vacancies. There are a number of other smaller underspends within the service amounting to £35k.

Environmental Services – outturn position £368k overspend

Within Environmental Services there are three services areas with significant forecast underspends against budget.

- Tree Team overspend of £100k.
- Waste Operations overspend of £108k – This is due to the requirement for additional agency staff during the pandemic and additional costs of an aging fleet.
- Crossgate Depot overspend of £206k.

There are a number of various underspends within the service amounting to £46k.

Financial & Customer Services – outturn position £779k overspend

Within Financial & Customer Services there are three services areas with significant forecast outturn variances against budget.

- Financial Services have an overspend of £230k. Although there are significant vacancies in this area, there has also been the need to employ temporary staff. This includes resources working on the continued implementation of the financial system.
- Insurance has an overspend of £153k.
- There is a £190k overspend on Council Tax arrears collection due to no court proceedings taking place.

There is a £206k overspend on Rent Rebates & Allowances due to subsidy.

Legal, Democratic and Property Services – outturn position £393k underspend

Within Legal, Democratic and Property Services there are two services areas with significant forecast outturn variances against budget.

- Facilities Management underspend of £212k. Most of this underspend is on repairs & maintenance and utilities. It is suggested as part of closure that some of this sum is moved to a future reserve for utilities due to significant price increase which will require a future bid later in the year.

NARRATIVE REPORT

- Elections had an underspend of £87k and Members Services had an underspend of £22k due to Covid-19.

There are various other smaller underspends within the service amounting to £94k.

Planning, Regeneration and Leisure Services – outturn position £188k underspend

The overall underspend position in this directorate is £188k although there are several services areas with significant forecast outturn variances against budget:

- Building Controls underspend position of £133k is due to the generation of additional income.
- The Economic Development underspend of £107k is due to staffing vacancies which have been filled in 2022/23.
- Arts and Events Management underspend of £35k due to Covid-19.
- NWEDR overspend of £152k due to additional expenditure on Planning Enforcement.

There are various other smaller underspends within the service amounting to £65k.

Regulatory Client – outturn position £55k underspend

A £55k underspend on the Regulatory Client due to increased General Licencing and Taxi licensing income.

Rubicon Client – outturn position £31k underspend

The original base budget was £1.135m in 2021/22 due to Covid-19 pressure in the Arts and Leisure sector. Initially Rubicon was projecting a significant overspend above this level but in the second half of the year this has reduced to a £31k underspend. Indeed, in January £120k of Covid-19 Grant Funding was earmarked to support this potential overspend in the 2020/21 Outturn Report, but this will now not be required.

Starting Well – outturn position £27k underspend

Starting Well is showing a small underspend due to Covid-19 funding received.

Reserves

The over/underspend position has resulted in the Council's General Fund position increasing/decreasing from an opening position of £3.409m to a closing balance of £11.676m.

Earmarked reserves have increased from an opening position of £16.303m to a closing position of £17.619m.

Capital

The outturn report set out that expenditure was £4.993m against capital budgets of £13.323m approved for the year. This is an £8.330m underspend. The Medium-Term Financial Plan (MTFP) already requested £16.152m be slipped to future years.

There have been significant underspends in capital during the year. This has been due to delayed starts in projects and slower spend than anticipated.

Housing Revenue Account (HRA)

The Housing Revenue Account for 2021/22 is showing an overspend of £0.071m and this represents an actual contribution to HRA balances of £0.025m in comparison to the budget which was set at £0.096m contribution from HRA balances.

The major variances as follows:

- Income generated was actually £326k less than budget due to higher than budgeted void losses and right to buy sales along with reduced income from personal care/support charges at St Davids.

NARRATIVE REPORT

- Repairs & Maintenance underspend of £163k due to vacant posts & reduced volume of R&M works due to Covid lockdowns.
- Supervision & Management underspend of £375k due to vacant posts pending operational review and reduced consultancy/professional fees.
- Provision for Bad Debts has increased provision of £175K in arrears especially former tenants due to economic conditions prevailing.
- Depreciation and Impairment of Fixed Assets shows a £48k overspend due to an increase in asset valuations.

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment or reduce local taxation, and "unusable" which must be set aside for specific purposes. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movement in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase or decrease line shows the statutory general fund balance movements in the year following those adjustments.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2022.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long-term liabilities).

The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money. Business Rates is distributed to Central Government, Worcestershire County Council and Redditch Borough Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner, Redditch Borough Council and the Town & Parish Councils within the Redditch district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

The **Housing Revenue Account**

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**Statement of Responsibilities**The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority. In this Authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2022.

..... Date:

Director of Finance and Resources (Chief Finance Officer)

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit, Governance and Standards Committee.

..... Date:

Chair

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2021/22			2020/21		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Business Transformation and Organisational Development		2,092	(592)	1,500	2,034	(373)	1,661
Community and Housing GF Services		4,947	(3,820)	1,127	4,363	(3,004)	1,359
Corporate Services		1,611	(6,034)	(4,423)	2,519	(6,644)	(4,125)
Environmental Services		6,286	(2,642)	3,644	5,835	(2,679)	3,156
Financial and Customer Services		25,614	(22,201)	3,413	37,726	(37,451)	275
Housing Revenue Account		26,026	(24,252)	1,773	19,174	(24,723)	(5,549)
Legal, Democratic and Property Services		3,910	(1,553)	2,357	3,345	(1,322)	2,023
Planning, Regeneration and Leisure Services		3,368	(2,488)	880	2,734	(1,518)	1,216
Regulatory Client		556	(239)	317	577	(231)	347
Rubicon Client		1,788	(40)	1,747	1,265	(153)	1,113
Starting Well		663	(790)	(127)	630	(612)	18
WRS		0	(2)	(2)	0	0	0
Cost of Services		76,861	(64,653)	12,207	80,202	(78,709)	1,493
Other Operating Expenditure	B3	45	(1,406)	(1,361)	2,934	0	2,934
Financing and Investment Income and Expenditure	B4	1,248	(1,170)	78	4,884	(4,879)	5,105
Taxation and Non-Specific Grant Income and Expenditure	B5	12,998	(27,129)	(14,131)	11,198	(21,107)	(9,909)
(Surplus) or Deficit on Provision of Services				(3,207)			(377)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(5,592)			17,008
Remeasurement of the net defined benefit liability/(asset)	E1			(5,826)			(1,057)
Other Comprehensive Income and Expenditure				(11,418)			15,951
Total Comprehensive Income and Expenditure				(14,625)			15,574

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

	Notes	2021/22			2020/21		
		£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Business Transformation and Organisational Development		2,116	(592)	1,524	2,034	(373)	1,661
Community and Housing GF Services		4,947	(3,820)	1,127	4,363	(3,004)	1,359
Corporate Services		1,586	(6,034)	(4,448)	2,519	(6,644)	(4,125)
Environmental Services		6,286	(2,642)	3,644	5,835	(2,679)	3,156
Financial and Customer Services		25,614	(22,201)	3,413	37,726	(37,451)	275
Housing Revenue Account		26,026	(24,252)	1,773	19,174	(24,722)	(5,549)
Legal, Democratic and Property Services		3,910	(1,553)	2,357	3,345	(1,322)	2,022
Planning, Regeneration and Leisure Services		3,368	(2,488)	880	2,734	(1,518)	1,216
Regulatory Client		556	(239)	317	577	(231)	347
Rubicon Client		4,211	(4,034)	177	1,265	(153)	1,113
Starting Well		663	(790)	(127)	630	(612)	18
WRS		0	(2)	(2)	0	0	0
Cost of Services		79,284	(68,647)	10,637	80,202	(78,709)	1,493
Other Operating Expenditure	B3	(1,222)	(179)	(1,401)	2,934	0	2,934
Financing and Investment Income and Expenditure	B4	1,248	(1,170)	78	4,884	(4,879)	5,105
Taxation and Non-Specific Grant Income and Expenditure	B5	13,038	(27,129)	(14,091)	11,198	(21,107)	(9,909)
(Surplus) or Deficit on Provision of Services				(4,777)			(377)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(5,591)			17,008
Remeasurement of the net defined benefit liability/(asset)	E1			(5,826)			(1,057)
Other Comprehensive Income and Expenditure				(11,417)			15,951
Total Comprehensive Income and Expenditure				(16,194)			15,574

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for Council and Group for the year ended 31 March 2022

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or (from) earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA Balance	Earmarked HRA Reserves	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Rubicon Leisure Limited	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2020	1,599	4,979	6,577	744	15,259	16,003	7,810	9,541	2,404	42,335	136,430	178,765	0	178,795
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	(505)	0	(505)	882	0	882	0	0	0	377	15,951	16,328	(181)	16,148
Adjustments between accounting basis & funding basis under regulations	13,639	0	13,639	(1,288)	0	(1,288)	(659)	3,152	375	15,219	(15,219)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	13,134	0	13,134	(406)	0	(406)	(659)	3,152	375	15,596	732	16,328	(181)	16,147
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(11,324)	11,324	0	1,694	(1,693)	1	0	0	0	1	0	1	0	0
Balance as at 31 March 2021	1,810	11,324	13,134	1,288	(1,693)	(405)	(659)	3,152	375	15,597	732	16,329	(181)	16,148
													0	0
Balance as at 31 March 2021	3,409	16,303	19,711	2,032	13,566	15,598	7,151	12,693	2,779	57,932	137,034	195,094	(181)	194,913
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	2,334	0	2,334	873	0	873	0	0	0	3,207	11,418	14,625	4,777	19,402
Adjustments between accounting basis & funding basis under regulations	8,538	0	8,538	(1,857)	0	(1,857)	4,999	701	0	12,381	(12,381)	0	(4,777)	(474)
Net Increase/Decrease before Transfers to Earmarked Reserves	10,872	0	10,872	(984)	0	(984)	4,999	701	0	15,588	(963)	14,625	0	18,928
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(2,755)	1,466	(1,289)	1,009	(1,009)	0	0	0	0	(1,289)	0	(1,289)	1,289	0
Balance as at 31 March 2022	8,117	1,466	9,583	25	(1,009)	(984)	4,999	701	0	14,299	(963)	13,336	1,289	16,425
Balance as at 31 March 2022	11,526	17,769	29,294	2,057	12,557	14,614	12,150	13,394	2,779	72,230	136,071	210,101	1,108	211,209

BALANCE SHEET

Balance Sheet as at 31 March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide service. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

	Notes	31st March 2022	31st March 2021
		£000	£000
Property, Plant & Equipment	D1	371,297	365,499
Investment Property	D2	897	899
Intangible Assets	D3	884	329
Long Term Debtors	D4	0	208
Long Term Assets		373,078	366,935
Short Term Investments	F4	30,897	10,000
Inventories	D9	731	465
Short Term Debtors	D4	45,460	17,324
Cash and Cash Equivalents	F1	26,709	6,739
Current Assets		103,797	34,528
Other Short Term Liabilities	E2	(27,852)	0
Short Term Creditors	D5	(47,185)	(16,344)
Provisions	D6	(987)	(3,381)
Revenue Grants received in advance		(14,690)	(8,325)
Current Liabilities		(90,714)	(28,050)
Long Term Borrowing	E2	(104,064)	(105,721)
Other Long Term Liabilities	E2	(69,777)	(70,698)
Capital Grants received in advance		(4,019)	(2,303)
Long Term Liabilities		(177,860)	(178,722)
Net Assets		208,301	194,691
Usable reserves	C3	72,230	57,931
Unusable Reserves	C4	136,071	136,760
Total Reserves		208,301	194,691

BALANCE SHEET

Group Balance Sheet as at 31 March 2022

	Notes	31st March 2022 £000	31st March 2021 £000
Property, Plant & Equipment	D1	371,594	365,499
Investment Property	D2	897	899
Intangible Assets	D3	884	329
Long Term Debtors	D4	128	208
Long Term Assets		373,504	366,935
Short Term Investments	F4	30,897	10,000
Inventories	D9	750	482
Short Term Debtors	D4	44,010	18,712
Cash and Cash Equivalents	F1	27,652	7,169
Current Assets		103,309	36,363
Short Term Borrowing	E2	(27,357)	0
Short Term Creditors	D5	(46,224)	(17,852)
Provisions	D6	(987)	(3,381)
Revenue Grants received in advance		(13,401)	(8,325)
Current Liabilities		(87,969)	(29,558)
Long Term Borrowing	E2	(104,064)	(105,721)
Other Long-Term Liabilities	E2	(69,777)	(73,299)
Capital Grants received in advance		(5,594)	(2,303)
Long Term Liabilities		(179,435)	(181,323)
Net Assets		209,409	192,417
Usable reserves	C3	73,338	58,258
Unusable Reserves	C4	136,071	134,159
Total Reserves		209,409	192,417

CASH FLOW STATEMENT

Cash Flow Statement at 31 March 2022

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Notes	2021/22 £000	2020/21 £000
Net surplus or (deficit) on the provision of services		3,207	377
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	20,524	24,707
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	(3,738)	673
Net cash flows from Operating Activities		19,993	25,758
Investing Activities	F4	(27,875)	(20,530)
Financing Activities	F5	27,852	0
Net increase or (decrease) in cash and cash equivalents		19,970	5,228
Cash and cash equivalents at the beginning of the reporting period		6,739	1,511
Cash Balance at End of Period		26,709	6,739

CASH FLOW STATEMENT

Group Cash Flow Statement as at 31 March 2022

	Notes	2021/22 £000	2020/21 £000
Net surplus or (deficit) on the provision of services		4,777	558
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	19,962	24,813
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	(3,738)	463
Net cash flows from Operating Activities		21,001	25,834
Investing Activities	F4	(27,875)	(20,530)
Financing Activities	F5	27,357	0
Net increase or (decrease) in cash and cash equivalents		20,483	5,304
Cash and cash equivalents at the beginning of the reporting period		7,169	1,865
Cash Balance at End of Period		27,652	7,169

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2021/22 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Strategic Purpose	Net Expenditure Chargeable to the General Fund Balances	2020/21 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,524	0	1,524	Business Transformation and Organisational Development	1,611	0	1,661
951	(176)	1,127	Community and Housing GF Services	1,195	165	1,360
(5,244)	(797)	(4,447)	Corporate Services	(4,870)	744	(4,126)
3,507	(137)	3,644	Environmental Services	3,028	128	3,156
2,660	(754)	3,413	Financial and Customer Services	(429)	704	275
714	(1,060)	1,773	Housing Revenue Account	(6,539)	990	(5,550)
(5,509)	(7,866)	2,357	Legal, Democratic and Property Services	(5,327)	7,350	2,023
102	(778)	880	Planning, Regeneration and Leisure Services	489	727	1,216
(233)	(550)	317	Regulatory Client	(167)	514	347
1,104	(644)	1,747	Rubicon Client	511	602	1,113
(342)	(215)	(127)	Starting Well	(183)	201	18
(2)	0	(2)	WRS	0	0	0
(768)	(12,977)	12,207	Net Cost of Services	(10,681)	12,125	1,493
(15,414)	0	(15,414)	Other Income and Expenditure	940	(2,810)	(1,870)
(16,182)	(12,977)	(3,207)	Surplus or Deficit	(9,741)	9,315	(377)

12,839	Opening General Fund Balance	22,580
(16,182)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(9,741)
(3,343)	Closing General Fund Balance at 31 March	12,839

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B2. Expenditure and Income Analysed by Nature

Expenditure:	2021/22 £000	2020/21 £000
Employee Benefits Expenses	16,984	15,255
Other Services Expenditure	57,303	56,887
Depreciation and Amortisation	8,376	0
Revaluation of HRA dwellings reversing previous losses	0	10,247
Interest Payments	5,421	8,075
Precepts and Levies	40	5
Payments to Housing Capital Receipts Pool	0	776
Gain on the Disposal of Assets	0	(321)

Income:	2021/22 £000	2020/21 £000
Fees, Charges and other service Income	(42,994)	(34,227)
Interest and Investment Income	(1,194)	(2,511)
Income for Council tax, non-domestic rates, district rate income	(20,488)	(9,098)
Government grants and Contributions	(26,656)	(45,010)
Internal Recharges	0	(455)

(Surplus) or Deficit on the Provision of Services	(3,207)	(377)
--	----------------	--------------

Revenue from contracts with Service Recipients

The policy on fees and charges is that all services should be charged where it is appropriate to do so unless there are conflicting policies for legal reasons not to do so. The charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.

Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the service. Charges must be linked to both service and strategic objectives and be clearly understood.

The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood. Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services. Where appropriate, annual inflationary uplifts will be applied by the Council and approved through the budget setting process.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B3. Other Operating Income and Expenditure

	2021/22 £000	2020/21 £000
Parish council precepts	45	5
Levies	0	2,474
Payments to the Government Housing Capital Receipts Pool	0	776
(Gains)/losses on the disposal of non current assets	0	(321)
Other	(1,406)	0
Total	(1,361)	2,934

B4. Financing and Investment Income and Expenditure

	2021/22 £000	2020/21 £000
Interest payable and similar charges	0	3,656
Net interest on the net defined benefit liability (asset)	720	1,558
Interest receivable and similar income	0	(70)
Other investment income	(642)	(39)
Total	78	5,105

	2021/22 £000	2020/21 £000
Interest payable and similar charges	0	3,656
Net interest on the net defined benefit liability (asset)	720	1,558
Interest receivable and similar income	0	(70)
Other investment income	(642)	(39)
Total	78	5,105

B5. Taxation and Non-Specific Grant Income and Expenditure

	2021/22 £000	2020/21 £000
Income		
Council Tax Income	(6,465)	(6,376)
Non Domestic Rates Income and Expenditure	(2,825)	4,688
Non-ring-fenced government grants	(4,507)	(7,381)
Capital Grants and Contributions	(334)	(839)
Total	(14,131)	(9,909)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B6. Members Allowances

	2021/22 £000	2020/21 £000
Basic Allowances	128	128
Special Allowances	95	95
Expenses Inc. Car Allowances	4	7
Total	227	230

B7. External Audit Costs

The Council has incurred the following costs relating to the annual audit of the statement of accounts, certification of grant claims and other services provided by the Council's external auditors.

	2021/22 £000	2020/21 £000
Fee Variations agreed for External Audit *	26	26
Housing Benefit Audit	28	28
Fees payable with regard to external audit services carried out by the appointed auditor for the year	45	42
Total	99	96

B8. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22 £000	2020/21 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(90)	0
New Homes Bonus	(84)	(926)
Section 31	(1,320)	(1,272)
Capital Grants	(1,407)	0
Total	(2,900)	(2,198)

	2021/22 £000	2020/21 £000
Credited to Services		
MHCLG Local Council Tax Support Admin Subsidy	0	(95)
MHCLG New Burdens	(231)	0
MHCLG NNDR Cost of Collection	(191)	(107)
MHCLG Homelessness Grants	(539)	(291)
MHCLG COVID 19	(2,872)	0
DWP Admin Grant	(223)	(224)
DWP Discretionary Housing	(124)	(51)
DWP Housing Benefit Subsidy	(9,530)	(14,551)
Other DWP Grant Income	0	(77)
Sports Partnership	0	(19)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

MHCLG Covid-19 Emergency Grant	(532)	(1,417)
MHCLG Covid-19 Sales, Fees and Charges Grant	0	(361)
WCC Food and Essential Supplies	0	(88)
Other grants	(954)	(381)
Total	(15,196)	(17,662)

The following grants have been removed from income and expenditure on the CIES; the Council acts as an agent for the purpose of distributing these grants. Given the Covid-19 pandemic the Council was required by Central Government to distribute the grants below in line with their criteria and funding levels.

	2021/22	2020/21
	£000	£000
Covid-19 Business Support Grants (Tranche 1)	0	(121)
Covid-19 Business Support Grants (Tranche 2)	(9,164)	(14,329)
Covid-19 Test and Trace Support Payments - Self Isolation Payments	(547)	(4,265)
Total	(9,711)	(18,715)

B9. Officer Remuneration

Since 2010/11, the Management Team has been shared between Redditch Borough Council and Bromsgrove District Council, with each Authority being charged 50% of the cost of each post.

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Chief Executive - Kevin Dicks	2021/22	139,212	24,779	163,991	81,996	81,996
	2020/21	139,045	24,750	163,795	81,898	81,898
Executive Director of Finance & Resources	2021/22	103,017	18,337	121,354	60,677	60,677
	2020/21	66,302	11,169	77,471	38,736	38,736
Head Of Legal & Democratic Services	2021/22	85,198	16,102	101,300	50,650	50,650
	2020/21	85,095	15,486	100,581	50,291	50,291
Total	2021/22	327,427	59,218	386,645	193,323	193,323
	2020/21	290,442	51,405	341,847	170,924	170,924

Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2021/22	111,370	21,828	133,198	66,599	66,599
	2020/21	111,236	20,690	131,926	65,963	65,963
Total	2021/22	111,370	21,828	133,198	66,599	66,599
	2020/21	111,236	20,690	131,926	65,963	65,963

Senior Employees Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Redditch Borough Council

	2021/22	2020/21
£50,001 to £55,000	3	0
£55,001 to £60,000	10	2
£60,001 to £65,000	5	9
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	2	0
£85,001 to £90,000	4	1
£90,001 to £95,000	1	0
£95,001 to £100,000	0	1
£100,001 to £105,000	1	0
£105,001 to £110,000	0	0
£110,001 to £115,000	1	0

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	1	0
Total	28	13

B10. Termination Benefits

The Council had a number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0-£20,000	0	20	7	4	7	24	25,440	224,335
£20,001 - £40,000	0	1	1	0	1	1	20,465	22,342
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total cost included in bandings							45,905	246,677
Recharge to Bromsgrove District Council							0	(114,300)
Recharge to Worcestershire Regulatory Services							0	0
Cost to Redditch Borough Council							45,905	132,377
Total cost included in the CIES							45,905	132,377

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact upon the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, however, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for Local Authority Council housing provision in accordance with Part IV of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Usable Reserves						
Balance Sheet as at 31 March 2022	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	1,541	0	0	0	0	(1,541)
Council tax and NDR (transfers to or from the Collection Fund)	6,778	0	0	0	0	(6,778)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,148	10,343	0	0	0	(13,491)
Total Adjustments to Revenue Resources	11,467	10,343	0	0	0	(21,810)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(766)	(5,298)	6,064	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,893)	0	5,893	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,009)	0	0	0	1,009
Total Adjustments to Revenue Resources	(766)	(12,200)	6,064	5,893	0	1,009
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,064)	0	0	1,064
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(5,192)	0	5,192

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Application of capital grants to finance capital expenditure	(2,163)	0	0	0	0	2,163
Total Adjustments to Capital Resources	(2,163)	0	(1,064)	(5,192)	0	8,419
Total Adjustments	8,538	(1,857)	5,000	701	0	(12,382)

Usable Reserves						
Balance Sheet as at 31 March 2021	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	619	727	0	0	0	(1,346)
Council tax and NDR (transfers to or from the Collection Fund)	8,119	0	0	0	0	(8,119)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,132	7,430	0	0	0	(12,562)
Total Adjustments to Revenue Resources	13,870	8,157	0	0	0	(22,027)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(2,107)	2,107	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	39	(39)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	776	0	(776)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,683)	0	5,683	0	0
Use of flexible capital receipts to fund service reform	677	0	(677)	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(845)	0	0	0	0	845
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,694)	0	0	0	1,694
Total Adjustments to Revenue Resources	608	(9,445)	615	5,683	0	2,539
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,481)	0	0	1,481
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2,531)	0	2,531
Application of capital grants to finance capital expenditure	(839)	0	0	0	375	464
Cash payments in relation to deferred capital receipts	0	0	207	0	0	(207)
Total Adjustments to Capital Resources	(839)	0	(1,274)	(2,531)	375	4,269
Total Adjustments	13,639	(1,288)	(659)	3,152	375	(15,218)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C2. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21 and 2021/22.

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	01-Apr-20	2020/21	2020/21	31-Mar-21	2021/22	2021/22	31-Mar-22
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Business Rates Retention Scheme	1,996	1,086	0	3,082	1,478	0	4,560
Community Development	67	7	0	74	0	0	74
Community Safety	302	323	(272)	353	507	0	860
Corporate Services	150	4,502	(1)	4,652	0	0	4,652
Customer Services	0	93	0	93	0	0	93
Economic Growth	330	0	0	330	208	0	538
Electoral Services	44	5	0	49	0	0	49
Environmental Vehicles	0	29	0	29	0	0	29
Equipment replacement	47	0	(22)	25	0	0	25
Financial Services	87	0	0	87	72	(10)	149
General Risk reserve	45	0	0	45	0	0	45
Housing Benefit Implementation	270	0	0	270	0	0	270
Housing Support	745	283	0	1,029	509	(3)	1,535
Land Charges	9	0	0	9	0	0	9
Land Drainage	129	0	0	129	0	0	129
Parks & Open spaces	8	0	0	8	0	0	8
Planning Services	669	0	(271)	398	150	(36)	512
Sports Development	68	0	(59)	9	107	(39)	77
Town Centre	2	5	0	7	0	0	7
Warmer Homes	12	4	0	16	0	0	16
Transformational Growth	0	123	0	123	0	0	123
Pensions	0	201	0	201	0	0	201
Regeneration Income	0	273	0	273	0	0	273
Covid-19 (General)	0	580	0	580	0	0	580
Covid-19 (Collection Fund)	0	4,433	0	4,433	0	(1,478)	2,955
TOTALS	4,980	11,947	(625)	16,304	3,031	(1,566)	17,769
HRA							
Housing Capital	15,258	0	(1,694)	13,564	0	(1,009)	12,555
Total HRA	15,258	0	(1,694)	13,564	0	(1,009)	12,555
Total Earmarked Reserves	20,238	11,947	(2,319)	29,868	3,031	(2,575)	30,324

C3. Usable Reserves

	31/03/2022	31/03/2021
	£000	£000
Capital Receipts Reserve	12,150	7,151
Capital Grants Unapplied	2,779	2,779
Major Repairs Reserve	13,394	12,693
HRA Balances	2,057	2,032
HRA Earmarked Reserves	12,556	13,565
General Fund Balances	11,676	5,105

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Earmarked Reserves	17,618	14,607
Total Usable Reserves	72,230	57,932

Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2022 £000	31/03/2021 £000
Balance 1 April	6,944	7,810
Opening Balance Adjustment	207	0
Capital Receipts in year	6,064	2,068
Sub-Total	13,215	9,878
Less:		
Capital Receipts Pooled	0	(776)
Capital Receipts used for financing	(1,065)	(1,481)
Capital Receipts used for financing	0	(677)
Balance 31 March	12,150	6,944

Since 1 April 2016, Local Authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the balance is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

Capital Grants Unapplied

	31/03/2022 £000	31/03/2021 £000
Balance on 1 April	2,779	2,404
Unapplied Capital Grants received in year	0	839
Unapplied Capital Grants transferred to CAA in year on application	0	(464)

	31/03/2022 £000	31/03/2021 £000
Balance on 1 April	2,779	2,404
Unapplied Capital Grants received in year	0	839
Unapplied Capital Grants transferred to CAA in year on application	0	(464)
Balance 31 March	2,779	2,779

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.893m in year. The reserve was used to finance £5.153m of the Housing Investment Programme, increasing the balance held in reserves from £12.693m to £13.394m.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	12,693	9,541
Depreciation	5,893	5,684
Capital expenditure on HRA Land, Houses and Other Property	(5,192)	(2,532)
Balance 31 March	13,394	12,693

C4. Unusable Reserves

	31/03/2022 £000	31/03/2021 £000
Revaluation Reserve	(67,232)	68,819
Capital Adjustment Account	(148,230)	152,124
Pensions Reserve	78,488	(76,496)
Collection Fund Adjustment Account	775	(7,559)
Accumulated Absences Account	128	(127)
Total Unusable Reserves	(136,071)	136,760

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(68,820)	51,811
Upward revaluation of assets	1,588	17,009
Balance at 31 March	(67,232)	68,820

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Capital Adjustment Account

	31/03/2022	31/03/2021
	£000	£000
Balance at 1 April	152,331	157,877
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(2,483)	(7,874)
Revaluation losses on Property, Plant and Equipment	0	(2,478)
Revenue expenditure funded from capital under statute	0	(463)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,450)	(1,747)
	(6,933)	(12,561)
Adjusting amounts written out of the Revaluation Reserve		
Net written out amount of the cost of non current assets consumed in the year	(6,933)	(12,561)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,481
Use of the Major Repairs Reserve to finance new capital expenditure	0	2,531
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	464
Application of grants to capital financing from the Capital Grants Unapplied Account	1,498	0
Statutory provision for the financing of capital investment charged against the General Fund	0	845
Borrowing or liabilities met from the Major Repairs Reserve	0	0
Capital expenditure charged against the General Fund	1,334	1,694
	2,832	7,015
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Deferred Capital Receipts realised	0	(207)
Balance at 31 March	148,230	152,331

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(76,496)	(74,093)
Remeasurements of the net defined benefit liability/(asset)	270	(1,057)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,872)	(4,701)
Employers pensions contributions and direct payments to pensioners payable in the year	3,610	3,355
Balance at 31 March	(78,488)	(76,496)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(7,553)	566
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,778	(8,119)
Balance at 31 March	(775)	(7,553)

Accumulated Absences Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlements carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(127)	(127)
Settlement or cancellation of accrual made at the end of the preceding year	127	127
Amounts accrued at the end of the current year	(128)	(127)
Balance at 31 March	(128)	(127)

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Current Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2021	320,109	9,939	25,546	13,035	5,560	1,335	5,678	1,881	383,083
Adjustments re prior years	(5,392)	312	7,943	443	(484)	43	(5,137)	(106)	(2,378)
Adjusted opening balance	314,717	10,251	33,489	13,478	5,076	1,378	541	1,775	380,705
Additions	6,947	0	0	403	0	0	3,047	0	10,397
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	5,991	0	49	0	0	0	0	0	6,040
Derecognition - Disposals	(4,450)	0	0	0	0	0	0	0	(4,450)
Other movements	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	323,205	10,251	33,538	13,881	5,076	1,378	3,588	1,775	392,692
Depreciation and Impairment									
Balance as at 1 April 2021	(7,969)	0	393	(8,898)	(1,151)	43	0	0	(17,582)
Adjustments re prior years	7,958	0	(2,397)	(1,443)	(12)	(43)	0	0	4,063
Adjusted opening balance	(11)	0	(2,004)	(10,341)	(1,163)	0	0	0	(13,519)
Depreciation Charge	(5,592)	0	(1,465)	(727)	(143)	0	0	0	(7,927)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	(5,603)	0	(3,469)	(11,068)	(1,306)	0	0	0	(21,446)
Net Book Value									
Balance as at 31 March 2022	317,602	10,251	30,069	2,813	3,770	1,378	3,588	1,775	371,247
Balance as at 31 March 2021	312,140	9,939	25,939	4,137	4,408	1,378	5,678	1,881	365,500

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment

Comparative Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2020	296,552	9,938	31,030	4,075	4,028	1,378	540	2,286	349,827
Adjustments re prior years	6,018	1	(5,256)	8,170	1,006	(43)	0	(405)	9,490
Adjusted opening balance	302,570	9,939	25,774	12,245	5,034	1,335	540	1,881	359,317
Additions	5,427	0	0	790	525	0	5,138	0	11,880
Revaluation increases/decreases to Revaluation Reserve	13,859	0	3,149	0	0	0	0	0	17,008
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	(2,478)	0	0	0	0	0	(2,478)
Derecognition - Disposals	(1,747)	0	0	0	0	0	0	0	(1,747)
Other movements	0	0	(899)	0	0	0	0	0	(899)
Balance as at 31 March 2021	320,109	9,939	25,546	13,035	5,560	1,335	5,678	1,881	383,083
Depreciation and Impairment									
Balance as at 1 April 2020	(2,390)	0	1,688	(8,171)	(1,008)	43	0	0	(9,839)
Adjustments re prior years	0	0	0	0	0	0	0	0	0
Adjusted opening balance	(2,390)	0	1,688	(8,171)	(1,008)	43	0	0	(9,839)
Depreciation Charge	(5,579)	0	(1,295)	(727)	(143)	0	0	0	7,743
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	(7,969)	0	393	(8,898)	(1,151)	43	0	0	(17,582)
Net Book Value									
Balance as at 31 March 2021	312,140	9,939	25,939	4,137	4,409	1,378	5,678	1,881	365,501
Balance as at 31 March 2020	296,552	9,938	31,030	4,075	4,028	1,335	540	2,286	349,827

NOTES TO THE BALANCE SHEET

Depreciation

All assets have been depreciated using a reducing balance method. For the housing revenue account, the depreciation calculation is based on the replacement cost and useful life of major components – bathroom, kitchen, roof, rewire, central heating boiler, central heating system, windows and the structure.

The Council's valuers and surveyors have determined the useful economic life of the assets. Buildings have a useful life of between 15 to 100 years. Vehicles, plant and equipment and software licences have a useful life of between 5 to 10 years.

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2021/22.

Valuations of land and buildings are conducted in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2020/21 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This was in line with 2020/21.

Transfers between levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Surplus Assets Significant observable inputs (Level 2)

The fair value for the assets has been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and best use of surplus assets

In estimating the fair value of the Authority's surplus assets, the highest and best use of the assets is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £1.881m. Valuations have been conducted by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

NOTES TO THE BALANCE SHEET

D2. INVESTMENT PROPERTIES

	2021/22	2020/21
	£000	£000
Balance at start of the year	899	0
Additions:		
- Purchases	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	0	0
Transfers:		
- to/from Property, Plant and Equipment	0	899
Balance at end of the year	899	899

D3. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.024m (£0.024m in 2020/21) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

The movement in intangible assets for the year is as follows:

	£000
Cost or Valuation	
Balance as at 1 April 2021	2,017
Opening Balance Adjustment	300
Adjusted Opening Balance	2,317
Additions	318
Revaluation increases/decreases to Revaluation Reserve	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0
Balance as at 31 March 2022	2,635
Depreciation and Impairment	
Balance as at 1 April 2021	(1,688)
Opening Balance Adjustment	(39)
Adjusted Opening Balance	(1,727)
Depreciation Charge	(24)
Depreciation written out on Revaluation Reserve	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0
Balance as at 31 March 2022	(1,751)
Net Book Value	
Balance as at 31 March 2022	884
Balance as at 31 March 2021	329

NOTES TO THE BALANCE SHEET

D4. Debtors

	Long term debtors		Short term debtors	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Central Government Bodies	0	0	4,074	2,071
Other Local Authorities	0	0	0	3,794
Other entities and individuals	0	952	13,152	7,325
Housing Rents	0	0	31,968	22,053
Less bad debt provision	0	0	(3,734)	(17,918)
Total	0	952	45,460	17,324

D5. Creditors

	Short term creditors	
	2021/22 £000	2020/21 £000
Central Government bodies	(9,101)	0
Other local authorities	0	0
Housing Rents Prepaid	(841)	0
Other Entities and Individuals	(37,244)	(16,334)
Total	(47,186)	(16,334)

D6. Provisions
2021/22

	Balance as at 1 April 2021 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2022 £000
Insurance	(383)	(15)	14	(384)
NNDR Appeals	(2,870)	(4,305)	6,700	(475)
Employee Benefit	(128)	0	0	(128)
Total	(3,381)	(4,320)	6,714	(987)

2020/21

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2021 £000
Insurance	(428)	45	0	(766)
NNDR Appeals	0	(2,870)	0	(5,740)
Employee Benefit	(128)	0	0	(256)
Total	(556)	(2,825)	0	(6,762)

NOTES TO THE BALANCE SHEET

Business Rates Appeals Provision

Within the Collection Fund, the Council has set aside provision for any potential liabilities because of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge was upheld in May 2020 and payments have been made during the financial year.

There is no allocation of the business rates appeals to the Council because of the arrangements in place whereby Worcestershire County Council have taken the lead of a Pilot Business Rates Pool covering all of Worcestershire, securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

The Council also holds a provision for potential insurance claims. This is currently £0.384m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1 December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council.

The Council continues to own the buildings and Rubicon operate services at the following sites:

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winvates Green Meeting Rooms
- Arrow Valley Visitor Centre

The company activity is included in the Group Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors. This is to avoid a double count. In addition, the Company inventory, cash and reserves are reflected in the Group Balance Sheet.

There is no goodwill as the group did not arise through a purchase.

D7. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increased in the Capital Financing Requirement (CFR) which is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

NOTES TO THE BALANCE SHEET

Capital Expenditure and Capital Financing	2021/22	2020/21
	£000	£000
Opening Capital Financing Requirement	146,719	140,326
Capital Investment		
Property, Plant and Equipment	10,397	11,880
Investment Properties		
Intangible Assets	318	1,027
Long Term Debtor	0	38
Revenue Expenditure Funded from Capital under Statute	0	463
Total	10,715	13,408
Sources of finance		
Capital receipts	(1,064)	(1,481)
Government grants and other contributions	(2,163)	(464)
Major Repairs Allowance	(5,192)	(2,531)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	0	0
HRA	(1,009)	(1,694)
Minimum Revenue Provision (MRP)	0	(845)
	(9,428)	(7,015)
Closing Capital Finance Requirement	148,006	146,719
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,287	6,393
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	1,287	6,393

D8. Assets Held for Sale

There were no assets held for sale as at 31 March 2022. To be an asset held for sale, it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months. The Council holds two surplus assets which do not meet the requirements of assets held for sale, details of which can be found in **Note D9**.

D9. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Consumable Stores	
	2021/22	2020/21
	£000	£000
Balance outstanding at start of year	465	277
Purchases	519	1,466
Recognised as an expense in year	(253)	(1,278)
Balance outstanding at year end	731	465

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E1. Defined Benefit Pension Scheme

Retirement Benefits

Discretionary post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no planned assets built up to meet these pension liabilities.

Transactions relating to post-employment Benefits.

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,865	3,123	0	0
Past service cost	441	20	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,492	1,484	74	74
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,798	4,627	74	74

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	(4,703)	(21,414)	0	0

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Actuarial gains and losses arising on changes in demographic assumptions	(1,496)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(529)	25,946	327	327
Actuarial gains and losses arising on changes in Experience	612	(3,766)	(75)	(75)
Other	38	39	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(280)	5,432	326	326

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,798)	(4,627)	(74)	(74)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	3,610	3,086		
Retirement benefits payable to pensioners			269	269

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Present value of the defined obligation	(195,060)	(192,948)	(3,351)	(3,294)
Fair value of plan assets	125,749	119,745	0	0
Net liability arising from the defined benefit obligation	(69,311)	(73,203)	(3,351)	(3,294)

Net Liability and Pension Strain	Local Government Pension Scheme	
	2021/22	2020/21
	£000	£000
Local Government Pension Scheme	(69,311)	(73,203)
Discretionary Benefits	(3,351)	(3,294)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Pension Strain Liability		
Sub-total	(72,662)	(76,497)
Advance Payment of Pension Contributions	4,185	5,799
Net liability arising from the defined benefit obligation	(68,477)	(70,698)

The present value of the defined obligations includes as an estimated cost following the decision of the Sargeant/McCloud cases (generally referred to as McCloud), which rules that the transitional protections offered to older members of the Public Service Pension Schemes were amended, constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes including the Local Government Pension Scheme. However, whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

In April 2020, the Council made an advance payment of pension contributions for 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount of each of the three financial years. Greater detail is provided later in the note under the heading 'Impact on the Authority's cashflows'.

		Local Government Pension Scheme		Discretionary Benefits	
		2021/22	2020/21	2021/22	2020/21
		£000	£000	£000	£000
Opening fair value of scheme assets		119,747	97,782	0	0
Interest income		2,503	2,501		
Remeasurement gain/(loss):					
the return on plan assets, excluding the amount included in the net interest expense		4,703	21,414		
Contributions from employer		3,610	3,086	269	269
Contributions from employees into the scheme		620	620		
Benefits/transfers paid		(5,396)	(5,618)	(269)	(269)
Administration costs		(38)	(39)		0
Closing value of scheme assets		125,749	119,745	0	0

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	(192,948)	(168,638)	(3,294)	(3,237)
Current service cost	(3,865)	(3,123)		
Interest cost	(3,995)	(3,985)	(74)	(74)
Contributions from scheme participants	(620)	(620)		
Remeasurement (gains) and losses:				
Experience (gains/losses)	(612)	3,766	75	75
Financial Assumptions (gains/losses)	529	(25,946)	(327)	(327)
Demographic Assumptions (gains/losses)	1,496	0	0	0
Past service cost	0	0		
Losses/(gains) on curtailments where relevant	(441)	(20)		
Benefits/transfers paid	5,396	5,618	269	269
Liabilities extinguished on settlements (where relevant)	0	0		
Balance as at 31 March	(195,060)	(192,948)	(3,351)	(3,294)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2022	31/03/2021
	£000	£000
Cash and cash equivalents	0	0
Equities:		
UK quoted	143	144
Overseas quoted	30,279	36,786
PIV - UK managed	17,041	16,318
PIV - UK managed (overseas)	49,343	46,377
PIV - Overseas managed	986	143

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Sub-total equity	97,792	99,768
<u>Bonds:</u>		
UK Corporate	0	0
Overseas Corporate	1,704	0
Other Corporate	0	1,900
UK Government Fixed	2,755	0
Overseas Government	916	0
Sub-total bonds	5,375	1,900
<u>Property:</u>		
European Property Fund	0	2,306
UK Property Debt	878	461
Overseas Property Debt	586	346
UK Property Funds	5,564	2,421
Overseas REITs	0	115
Sub-total property	7,028	5,649
<u>Alternatives</u>		
UK Infrastructure	5,948	4,700
European Infrastructure	3,965	3,342
US Infrastructure	3,304	2,507
UK Stock Options	528	417
Overseas Stock Options	(264)	105
Corporate Private Debt	1,983	1,358
Sub-total alternative funds	15,464	12,429
Total assets	125,659	119,746

All scheme assets have quoted prices in active markets.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2020/21	2021/22	2020/21
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.7	22.7	22.7
Women	25.1	25.1	25.1	25.1
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.4	24.4	24.4
Women	27.1	27.1	27.1	27.1
Financial assumptions:				
Rate of inflation	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%	4.2%	4.2%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Discount Rate	2.1%	2.1%	2.1%	2.1%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The longevity assumption, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	6,007	(6,007)
Rate of inflation (increase or decrease by 0.1%)	3,143	(3,143)
Rate of increase in salaries (increase or decrease by 0.1%)	231	(231)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,095)	3,095

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The scheme takes account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

In April 2020, the Council made an advanced payment to Worcestershire Pension Fund for the deficit payment due 2020/21 to 2022/23, and 90% of the expected pension contributions for current employees for the same period. The total payment was £4.559m compared with a cost of £4.965m if the payments had been made monthly. The estimated savings are £0.257m over the three years.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E2. Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	0	855	0	0	0	855	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	30,897	10,000	45,460	17,324	76,357	27,324	0	0	0	0	0	0
Total Financial Assets	30,897	10,855	45,460	17,324	76,357	28,179	0	0	0	0	0	0
Non-Financial Assets	0	0	0	1,009	0	1,009	0	0	0	0	0	0
Total	30,897	10,855	45,460	18,333	76,357	29,188	0	0	0	0	0	0

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	0	0	(47,185)	(16,344)	(47,185)	(16,344)	0	0	0	0	0	0
Amortised Cost	0	0	0	0	0	0	(104,064)	(105,721)	0	0	(104,064)	(105,721)
Total Financial Liabilities	0	0	(47,185)	(16,344)	(47,185)	(16,344)	(104,064)	(105,721)	0	0	(104,064)	(105,721)
Non-Financial Liabilities	0	0	0	(7,720)	0	(7,720)	0	0	0	0	0	0
Total	0	0	(47,185)	(24,064)	(47,185)	(24,064)	(104,064)	(105,721)	0	0	(104,064)	(105,721)

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years, which will be repaid on the sale of the property. In all cases, no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E3. Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council within the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used. Credit ratings are obtained and monitored by the Council's Treasury Advisors, who will notify changes in the ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investment will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

The credit criteria in respect of financial assets held by the Council are detailed below:

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds	£2.5m per fund or trust				

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the Debt Management Account Deposit Facility (DMADF) are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

Corporates: Loans, bonds, and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and extremely low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charges to the Surplus / Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus / Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus / Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy.

Price Risk

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.

E4. Leases

Leases are classified as finance leases, where the terms of the lease transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee – Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairments losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Rubicon Centre is leased with a remaining lease period to 31 July 2023, with the option of a break on 31 July 2021. This is a business centre sublet to small businesses.

The Council leases multifunctional devices (MFDs) through a lease that commenced in 2018/19 for an initial period until 31 July 2023.

The Authority as a Lessor – Finance Leases

When the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable is apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of the rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

The written-off value of disposals is not a charge against Council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council has no finance leases.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports and community facilities
- For the economic development purposes to provide suitable affordable accommodation for small local businesses
- Any other purpose

E5. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by the International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Revenue and Expenditure Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council has set a de minimis level for accruals of creditors and debtors that are calculated manually to avoid addition time and cost in estimating and recording accruals.

This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are high liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) Prior period adjustments and changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of the holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference for the two.

v) Council Tax and Non-Domestic Rates (England)

Billing Authorities act as agent, collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing Authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vi) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holidays entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the either of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii) Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

viii) Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as other financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

ix) Financial Instruments**Financial Liabilities**

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding interest repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial assets are classified into the following categories:

- Financial assets at amortised cost,
- Financial assets at fair value through other comprehensive income, and
- Financial assets at fair value through profit and loss.

The classification is determined by the cashflow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition.

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets to collect contractual cashflows and where the cashflows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple debt instruments.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to homeowners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore, does not hold accounting policies for these issues.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to twelve month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cashflows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cashflows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

x) Government Grants and Contributions

Where paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)

Heritage assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

xii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's good or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii) Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out in accordance with the CIPFA Code of Practice to determine a group relationship exists. Inclusion in the group is dependent upon the extent of the Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in the entity or representation on an entity's board of directors, and materiality. Accounts are prepared on a single entity basis with the Statement of Group Accounts representing the position for the Council and its subsidiary. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

xiv) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

xvi) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would influence the reader of the accounts. Notes are only included where items are material by value or nature.

xvii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council’s housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- Where there is no balance against the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows and structure)
- Vehicles, plant and equipment – straight-line over the useful life, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

xx) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

xxi) Shared Services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner Authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within the Statement of Accounts.

When entering into share services, all capital assets that are purchased are financed by each Authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with business case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the business case and the Authority that gains the benefit is fully charged.

xxii) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £17.619m and a General Fund Balance of £11.676m.

The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements, each participant in the arrangement accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cashflows.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material, the Group position is disclosed on the face of the applicable Core Statements. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has proved for the cost of the successful appeal to the Supreme Court concluded on 20 May 2020, which ruled that Automated Teller Machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries, where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after 31 March 2020 but full provision in made in the provision for business rate appeals as at 31 March 2021. The level of the 2017 rating list provision for appeals has released £6.7m. Previously the Council held rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note D6**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 40%.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore, does not hold any investment properties,

E7. Accounting Standards not yet adopted.

The Code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There is an amendment to IFRS 16 Leases. This standard was due to be implemented on 1 April 2020, but this has now been delayed until 1 April 2024.

IFRS 16 Leases – the amendment requires Local Authorities who are lessees to recognise leases on the Balance Sheet as right of use assets with a corresponding lease liability. As yet, the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

E8. Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

E9. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Council have considered the materiality of the transactions from both the Council's and the related parties perspective.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B8**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2021/22 is shown in **Note B6**.

Many Redditch Borough Councillors are also County Councillors and / or elected members of the Parish Council.

In 2021/22, all members have completed a register of members' disclosable pecuniary interest.

Officers

There were no disclosures made by officers in 2021/22,

Entities Controlled or Significantly Influenced by the Authority

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it.

As part of the shared services with Bromsgrove District Council, Redditch paid £7.022m (£6.457m in 2020/21) for Bromsgrove hosted services and received £3.912m (£3.238m in 2020/21) for services hosted at Redditch.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.288m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove District and Wyre Forest for the provision of Building Control. Redditch paid £0.102m to Bromsgrove.

For the provision of Car Park services, the Council paid £0.063m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.085m to Worcester City Council.

The Council paid Bromsgrove District Council £0.562m for Worcestershire Regulatory Shared Service.

In total, the Council received £0.588m in 2021/22 from Worcestershire County Council for running the Early Help services.

E10. Events after the Balance Sheet date

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government.

In April 2020, an upfront payment of £8.774m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2021/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E11. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent assets as at 31 March 2022.

E12. Contingent Liabilities

A contingent liability is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent liabilities as at 31 March 2022.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F1. Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2021/22 £000	2020/21 £000
Cash and Bank balances	26,709	6,739
Short Term Investments	0	0
Total	26,709	6,739

F2. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2021/22 £000	2020/21 £000
Depreciation	8,352	(7,857)
Impairment & downward valuations	24	(2,478)
Amortisation	0	(17)
(Increase)/Decrease in Debtors	(28,136)	8,113
Increase/(Decrease) in Creditors	32,461	(15,039)
Increase in Inventories	(267)	188
Movement in pension liability	3,790	(3,046)
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	4,450	(1,747)
Other items charged to the net surplus or deficit on provision of services	(151)	(2,825)
Total	20,524	(24,707)

F3. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing for financing activities.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	0	0
Any other items	(3,738)	673
Total	(3,738)	673

ADDITIONAL DISCLOSURES – TECHNICAL NOTES**F4. Investing Activities**

	2021/22	2020/21
	£000	£000
Purchase of PP&E, investment property and intangible assets	(10,716)	(6,265)
Purchase of Short Term Investments (not considered to be cash equivalents)	(20,897)	0
Other Payments for Investing Activities	0	(7,207)
Proceeds from the sale of PP&E, investment property and intangible assets	0	2,106
Other Receipts from Investing Activities	3,738	(9,164)
Net Cash flows from Investing Activities	(27,875)	(20,530)

F5. Financing Activities

	2021/22	2020/21
	£000	£000
Cash Receipts from Short and Long Term Borrowing	27,852	0
Other Receipts from Financing Activities	0	0
Other payments for Financing Activities	0	0
Net Cash flows from Financing Activities	27,852	0

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT

G1. Overview

	2021/22 £000	2020/21 £000
Expenditure		
Repairs & Maintenance	(5,879)	(4,970)
Supervision & Management	(7,263)	(6,972)
Rents, Rates, Taxes and other charges	(235)	(61)
Depreciation, impairments and revaluation losses of non-current assets	(5,893)	(5,857)
Debt Management Costs	(9)	(9)
Movement in the allowance for bad debts	(385)	(184)
Total Expenditure	(19,664)	(18,053)
Income		
Dwelling rents	23,253	22,931
Non-dwelling rents	533	541
Charges for services and facilities	530	645
Capitalisation of System Implementation Team	81	99
Contributions towards Supported Housing	91	59
Other	26	5
Total Income	24,514	24,280
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	4,850	6,227
HRA Services Share of Corporate & Democratic Core	(674)	(650)
Net Expenditure of HRA Services	4,176	5,577
Gains/(loss) on sale of HRA Fixed Assets	848	321
Interest Payable and Similar Charges	(4,174)	(4,175)
HRA Interest and Investment Income	23	0
Net interest on the defined benefit liability (asset)	0	(841)
Surplus or (Deficit for Year) on HRA Services	873	882

G2. Movement on the HRA Statement

	2021/22 £000	2020/21 £000
Balance on the HRA at the end of the previous year	2,032	744
Surplus or (Deficit) on the HRA Income and Expenditure Statement	873	882
Adjustments between accounting basis and funding basis under statute	(1,857)	(1,288)
Net Increase or (Decrease) before transfers to or from reserves	(984)	(406)
Transfers (to)/from Reserves	1,009	1,694
Increase or (decrease) on the HRA for the year	25	1,288
Balance on the HRA at the end of the current year	2,057	2,032

HOUSING REVENUE ACCOUNT

G3. Transfers (to) / from reserves

	2021/22 £000	2020/21 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute		
Transfers to/from the Capital Adjustment Account	5,893	5,857
Gain or loss on sale of HRA non current assets	(848)	(321)
HRA Share of Contributions to or from the Pension Reserve	0	727
Transfers to/(from) Major Repairs Reserve	0	(5,857)
Transfers to/(from) Housing Repairs Account	(5,893)	0
Capital expenditure funded by the HRA	(1,009)	(1,694)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,857)	(1,288)

Transfers to/from Reserves

	2021/22 £000	2020/21 £000
Transfers (to)/from earmarked reserves	0	2,977
Total Transfers	0	2,977

HOUSING REVENUE ACCOUNT

G4. Property, Plant and Equipment

	Council Dwellings	Operational Building	Vehicles, Plant and Equipment	Surplus Asset	Assets under construction	Intangible	Total PP&E
		£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance as at 1st April 2021	314,103	4,041	534	1,520	0	395	320,198
Adjustments re prior years	0	0	0	0	0	0	0
Adjusted opening balance	314,103	4,041	534	1,520	0	395	320,198
Additions	486	0	0	0	6,461	318	6,461
Revaluation increases/decreases to Revaluation Reserve	27,451	307	0	0	0	0	307
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	28	0	0	0	0	28
Derecognition - Disposals	(4,450)	0	0	0	0	0	0
Other movements	0	(171)	0	0	0	0	(171)
Balance as at 31st March 2022	337,590	4,204	534	1,520	6,461	713	326,822
Depreciation and Impairment							
Balance as at 1 April 2021	(12)	0	(505)	0	0	0	(517)
Adjustments re prior years	0	0	0	0	0	0	0
Adjusted opening balance	(12)	0	(505)	0	0	0	(517)
Depreciation Charge	0	(187)	(104)	0	0	(17)	(291)
Depreciation written out on Revaluation Reserve	0	171	0	0	0	0	171
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
Balance as at 31st March 2022	(12)	(15)	(609)	0	0	(17)	(637)
Net Book Value							
Balance as at 31st March 2022	337,578	4,189	(75)	1,520	6,461	696	349,673
Balance as at 31st March 2021	314,091	4,041	29	1,520	0	395	319,681

HOUSING REVENUE ACCOUNT

Prior year

	Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance as at 1st April 2020	314,564	3,626	534	1,510	395	302,234
Additions	5,427	0	0	0	0	5,427
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,859	415	0	10	0	14,284
Revaluation increases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(1,747)	0	0	0	0	(1,747)
Balance as at 31st March 2021	314,103	4,041	534	1,520	0	320,198
Depreciation and Impairment						
Balance as at 1st April 2020	(12)	0	(401)	0	0	(413)
Depreciation Charge	(5,579)	0	(104)	0	0	(5,683)
Depreciation written out on Revaluation Reserve	5,579	0	0	0	0	5,579
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition – Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
Balance as at 31st March 2021	(12)	0	(505)	0	0	(517)
Net Book Value						
Balance as at 31st March 2021	314,091	4,041	29	1,520	395	319,681
Balance as at 31st March 2020	296,552	3,626	133	1,510	395	302,216

HOUSING REVENUE ACCOUNT

Dwellings within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly, the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out annually, valued at 1 April each year.

The vacant possession value (open market value) of Council dwellings as at 31 March 2022 was £324.599m. This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market value.

G5. Housing Stock

The number of dwellings in the Authority's housing stock as at 31 March 2022 totalled 5,603 properties. The types of properties are analysed below:

Property Type	2021/22	2020/21
	Number	Number
Property Type		
Flats and Maisonettes		
(Blocks up to and incl. 2 Storey)		
1 Bed	1,532	1,544
2 Bed	533	534
3 Bed	29	30
Sub-Total	2,094	2,108
Medium Rise Flats		
(Blocks of 3 up to and incl. 5 Storey)		
1 Bed	0	0
2 Bed	0	0
3 Bed	0	0
Sub-Total	0	0
Non Permanent	41	41
(Blocks of 6 Storeys or more)		
1 Bed	0	0
2 Bed	0	0
Sub-Total	41	41
Houses / Bungalows		
1 Bed	653	654
2 Bed	852	868
3 Bed	1,798	1,834
4 or More	165	165
Sub-Total	3,468	3,521
Total Dwellings 31 March	5,603	5,670

HOUSING REVENUE ACCOUNT

G6. Housing Revenue Account Capital Expenditure

	2021/22 £000	2020/21 £000
Capital investment		
Operational assets	6,947	5,427
Intangible Assets	318	281
Totals	7,265	5,708
Sources of funding		
Capital Receipts	1,064	1,482
Major Repairs Reserve	5,192	2,532
Direct Revenue Financing	1,009	1,694
Totals	7,265	5,708

G7. Rent Arrears

During 2021/22, total rent arrears increased due to pressures from Covid-19. A summary of rent arrears and prepayments are shown in the following table:

	2021/22 £000	2020/21 £000
Current Tenant Arrears	1,426	1,046
Former Tenant Arrears	542	376
Total Rent Arrears	1,968	1,422
Prepayments	(604)	(522)
Net Rent Arrears	1,364	900

The rent arrears and prepayments exclude supporting people balances.

G8. Depreciation and Impairment of Non-Current Assets

	2021/22		2020/21	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,592	0	5,579	0
Other Land and Buildings	180	0	159	0
Vehicles, Plant, Furniture and Equipment	104	0	104	0
Intangible Assets	17	0	18	0
Total	5,893	0	5,860	0

G9. Retirement Benefits

As part of terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Worcestershire Local Government Pension Fund administered by Worcestershire County Council. This is a funded scheme, meaning that the Authority and employees pay

HOUSING REVENUE ACCOUNT

contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

However, the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

HRA Income & Expenditure Account	2021/22 £000	2020/21 £000
Current Service Cost	0	1,698
Past Service Costs	0	0
Net interest expense	0	841
Total	0	2,539
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	0	(1,812)
Movement on Pension Reserve	0	727

G10. Total Capital Receipts Generated during the year.

	2021/22 £000	2020/21 £000
Land	0	0
Council Houses	5,394	2,106
Other Property	-	-
Sub Total	5,394	2,106
Disposal Costs	(96)	(39)
Total HRA capital receipts	5,298	2,067

COLLECTION FUND

COLLECTION FUND

H1. The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligations for billing Authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2022/23 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2021/22 can be spread over three years from 2022/23 to 2024/25.

2020/21			Collection Fund	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(48,125)	(48,125)	Council Tax Receivable		(49,362)	(49,362)
(34,490)		(34,490)	Business Rates Receivable	(20,026)		(20,026)
(34,490)	(48,125)	(82,615)	Total amounts to be credited	(20,026)	(49,362)	(69,388)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(3,869)		(3,869)	Central Government	1,009		1,009
(3,095)	14	(3,081)	Redditch Borough Council	504	117	621
(696)	74	(622)	Worcestershire County Council	1,237	616	1,853
(77)	5	(72)	Hereford and Worcestershire Fire and Rescue	28	41	69
	12	12	Police and Crime Commissioner for West Mercia		106	106
			Precepts, demands and shares			
8,110		8,110	Central Government	16,722		16,722
0	6,249	6,249	Redditch Borough Council	13,378	6,425	19,803
24,006	32,901	56,907	Worcestershire County Council	3,010	34,450	37,460
324	2,201	2,525	Hereford and Worcestershire Fire and Rescue	334	2,260	2,594
	5,654	5,654	Police and Crime Commissioner for West Mercia		5,917	5,917
			Charges to Collection Fund			
254	576	830	Increase/(decrease) in allowance for impairment	671	692	1,363
(3,222)		(3,222)	Increase/(decrease) in allowance for appeals	3,822		3,822
880		880	Transitional Protection Payments Payable	619		619
			Charges to General Fund			
106		106	Charge to General Fund for allowable collection costs for non-domestic rates	106		106
22,721	47,686	70,407	Total amounts to be debited	41,440	50,624	92,064
(11,769)	(439)	(12,208)	(Surplus) /deficit arising during the year	21,414	1,262	22,676
6,478	(32)	6,446	(Surplus)/deficit b/f at 1 April	(5,291)	(471)	(5,762)
(5,291)	(471)	(5,762)	(Surplus)/deficit c/f at 31 March	16,123	791	16,914

COLLECTION FUND

H2. Council Tax Income

The amount of Council tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council tax payable for each band is established as follows (the actual amount payable for each property is also subject to discounts where applicable):

FOR THE YEAR ENDED 31ST MARCH 2022

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21.00	11.80	5/9	6.56	138.42
A	Up to & including	40,000		7,727.00	4,554.90	6/9	3,036.60	166.10
B		40,001	- 52,000	12,057.00	9,345.20	7/9	7,268.49	193.78
C		52,001	- 68,000	7,836.00	6,795.20	8/9	6,040.18	221.47
D		68,001	- 88,000	4,386.00	3,993.70	9/9	3,993.70	249.15
E		88,001	- 120,000	3,388.00	3,196.00	11/9	3,906.22	304.52
F		120,001	- 160,000	1,259.00	1,201.20	13/9	1,735.07	359.88
G		160,001	- 320,000	465.00	442.80	15/9	738.00	415.25
H	More Than		320,001	19.00	18.00	18/9	36.00	498.30

Adjustment 0.98

Council tax base 26,225.58

FOR THE YEAR ENDED 31ST MARCH 2021

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21	14.86	5/9	8.26	135.64
A	Up to & including	40,000		7,655	4,788.48	6/9	3,192.32	162.77
B		40,001	- 52,000	11,978	9,534.08	7/9	7,415.40	189.89
C		52,001	- 68,000	7,668	6,750.35	8/9	6,000.31	217.02
D		68,001	- 88,000	4,316	3,939.55	9/9	3,939.55	244.15
E		88,001	- 120,000	3,289	3,121.55	11/9	3,815.22	298.41
F		120,001	- 160,000	1,209	1,151.42	13/9	1,663.17	352.66
G		160,001	- 320,000	468	446.72	15/9	744.52	406.92
H	More Than		320,001	18	17.00	18/9	34.00	488.30

Adjustment 0.99

Council tax base 26,544.62

COLLECTION FUND

The breakdown above is for Redditch Borough Council only. Below is the total payable for Band D equivalent for all preceptors:

	2021/22	2020/21
	£	£
Bromsgrove District Council	249.15	244.15
Worcestershire County Council	1,343.83	1,311.05
Police and Crime Commissioner for West Mercia	240.19	225.20
Hereford and Worcestershire Fire and Rescue	87.68	85.99
Total Council Tax for non parish areas	1,920.85	1,866.39
Parish Councils (Average)	27.23	27.21
Average Council Tax for the District in parish areas	1,948.08	1,893.60

H3. Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage, and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2021/22 the rate poundage was 51.2p (no change from 2020/21). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note **B5**.

The total rateable value at 31 March 2022 was £82,141,970 (2020/21 £80,866,215).

For 2021/22, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. Redditch Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Council's policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompass a number of elements.

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.

ANNUAL GOVERNANCE STATEMENT

- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers.
- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements were limited during the year due to the implementation of a new financial management system in February 2021. Although processes were in place in relation to online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation, the Council was not able to undertake regular financial monitoring until Period 11. This is reflected in the Improvement plan later in this section.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2021/22.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2021/22, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

Audit, Governance and Standards Committee

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

ANNUAL GOVERNANCE STATEMENT

Internal Audit

RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient, and effective use of resources.

During 2021/22 the Internal Audit team delivered a comprehensive programme including:

- A number of core systems audits which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance
- A number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems

Internal Audits' work programme helps to assure Audit, Governance and Standards Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the RBC governance process

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Governance and Standards Committee for further scrutiny.

In relation to the cc reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that this committee on the 10th November 2022 received a Report from the Council's External Auditor setting out that

The Council had received a S24 Statement for non-delivery of the 2020/21 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. There were also five key recommendations in the Draft 2020/21 External Audit Report:

- The Council needs to ensure that key reports and supporting documentation are provided to Members in a timely way and in accordance with relevant codes and practice.
- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.
- The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Corporate Plan and related strategic objectives, allowing Members to scrutinize performance. This should be done at least twice a year.
- The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should

ANNUAL GOVERNANCE STATEMENT

make risk management reporting a standard item on the Audit, Governance and Standards Committee’s agenda, with members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.

- The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

In response to these issues

- The Council has put in place a Financial Recovery process which is reported twice a year to the Cabinet and the Audit Governance and Standards Committee now meet six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council’s accounts are up to date.
- That the missing Treasury management reports have been submitted and there is a schedule that Audit, Governance and Standards Committee review to ensure financial compliance.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions.
- A review of the issues behind the issuing of the S24 Statement was commissioned through an Audit Task Group and these wider recommendations, including Governance and support requirements agreed by Council in the summer of 2023.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 83.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed

Date

Signed

Date

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

INTERNAL AUDITORS' REPORT

INTERNAL AUDITORS' REPORT

Head of Internal Audit Opinion

Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2021/22 was a very challenging year regarding the control environment in certain areas of the Council. Changes in the way services needed to be delivered and staff deployed saw a continuance of remote working as there continued to be an emergence from the Covid-19 pandemic. A significant number of staff leaving the Authority was also experienced which created its own challenges within certain Services e.g. Finance. The loss of staff and experience along with the implementation of a new financial system resulted in a very challenging control environment and saw an increase in potential risk in the core financial areas. Appropriate and proportionate remote access to files and systems remained in place to ensure services could continue to be delivered during the second year of the pandemic.

Overall Governance Conclusion

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2021/22 managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2021/22 will be critical to create better transparency, expectations and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation has introduced some risks into the financial areas of the Council which have been identified as part of the audit reviews, e.g. a lack of budget monitoring, no reconciliations being undertaken, and limited assurance reported against several review areas including debtors and budget monitoring. A budget monitoring audit was undertaken but due to the known issues surrounding the new system roll out, the difficulties being experienced with cash receipting interfacing and the direct impact this had on reconciliations there was no value to be added by undertaking a main ledger review as the risks and required actions were already known. Procurement also was reported with a limited assurance. The identified risks need to be mitigated as part of the action plans to be deployed to address the identified control weaknesses.

Risk Management Conclusion

The Head of Internal Audit can confirm the further development of the formal risk management system has not progressed as well as expected in the organisation under the direction of the previous Financial and Customer Services Manager with a view to achieving a better embedded approach for the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. This was acknowledged by the current Executive Director of Finance and Resource (s151 Officer) and a strategy agreed and launched at CMT on the 16th March 2022. The Interim Head of Financial and Customer Services is now championing risk management. A specific piece of audit work that was undertaken regarding the formulation of an expected action returned a 'no assurance' categorisation as no action plan had been agreed prior to March 2022. This assurance was associated solely to the action plan that should have been formulated and delivered during 2021/22. Risk management is present in some form in Services but is not corporately coordinated to allow for a joined-up view of risk from a corporate perspective. The implementation of the March 2022 action plan has buy in from the whole of the management team and will be monitored for progress and reported before Members in the future.

INTERNAL AUDITORS' REPORT

Audit Opinion

The internal audit of Redditch Borough Council's systems and operations during 2021/22 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 29th July 2021 and any subsequent revisions.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan for 2021/2022 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement, fuel usage, projects, grants, gas compliance, asbestos and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The 2021/22 internal audit plan saw a small revision due to changing circumstances. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 18 reviews were taken into consideration. Areas which returned a level of 'limited' or 'no' assurance included debtors, budget monitoring, risk management action plan and procurement.

To mitigate the risk a clear management action plan has been formulated to address the issues identified in all the audit areas where 'no' or 'limited' assurance was identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with an action plan formulated by the Interim Head of Finance and Customer Service and overseen by the Executive Director of Finance and Resource (s151 Officer).

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including the financial system and budget monitoring. No areas of significant risk have been identified in addition to those already identified during the year.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

There has been a wide spectrum of assurance applied to the reviewed areas during 2021/22. The implementation of the new finance system has created risk hotspots. This, along with a significant loss of experienced staff due to natural churn and areas of 'limited' or 'no' assurance reviews clearly identify certain areas in the organisation that requires immediate attention to mitigate risk. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The critical friend review that was undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the

INTERNAL AUDITORS' REPORT

previous year results and corporate position due to the changing position regarding the recovery from the pandemic and the implementation of the new financial system which has impacted the whole organisation.

WASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide some assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit
Shared Service Worcestershire Internal Audit Shared Service
July 2022

GLOSSARY

GLOSSARY

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Extremely high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock).
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g., a community centre, or intangible, e.g., computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities, and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, based on an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

GLOSSARY

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average Council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Authority, i.e., it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

GLOSSARY

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

GLOSSARY

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

GLOSSARY

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used, or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period because of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or highly likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NDR purposes.

GLOSSARY

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital.

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.



DRAFT
STATEMENT OF ACCOUNTS
2022/23



Town Hall, Walter Stranz Square, Redditch, Worcestershire B98 8AH
tel: (01527) 64252

CONTENTS

TABLE OF CONTENTS

	Page
Narrative Report	
Introduction.....	1
Our District.....	2
Strategic Purpose.....	2
National Position.....	3
Organisational Performance.....	3
Governance.....	4
Reserves, Financial Performance and Financial Position.....	4
Explanation of the Accounting Statements.....	9
Statement of Responsibilities for the Statement of Accounts.....	10
Comprehensive Income and Expenditure Account.....	11
Movement in Reserves Statement.....	13
Balance Sheet.....	14
Cashflow Statement.....	16
Notes to the Comprehensive Income and Expenditure Statement	
B1. Expenditure and Funding Analysis.....	18
B2. Adjustments between Funding and Accounting Basis.....	19
B3. Expenditure and Income analysed by Nature.....	19
B4. Other Operating Income and Expenditure.....	21
B5. Financing and Investment Income and Expenditure.....	21
B6. Taxation and Non-Specific Income.....	21
B7. Members Allowances.....	21
B8. External Audit Costs.....	22
B9. Grant Income.....	22
B10. Officer Remuneration.....	23
B11. Termination Benefits.....	24
Notes to the Movement in Reserves Statement	
C1. Adjustments between Accounting Basis and Funding Basis Under Regulations.....	25
C2. Movements in Earmarked Reserves.....	26
C3. Usable Reserves.....	26
C4. Unusable Reserves.....	28
Notes to the Balance Sheet	
D1. Property, Plant and Equipment.....	31
D2. Investment Properties.....	34
D3. Intangible Assets.....	34
D4. Debtors.....	35
D5. Creditors.....	35
D6. Provisions.....	35
D7. Capital Expenditure and Financing.....	35
D8. Assets Held for Sale.....	37
D9. Inventories.....	37
Additional Disclosures – Technical Notes	
E1. Defined Benefit Pension Scheme.....	38
E2. Financial Instruments.....	43
E3. Nature and Extent of Risks arising from Financial Instruments.....	44
E4. Leases.....	46
E5. Accounting Policies.....	48
E6. Critical Judgements in applying Accounting Policies.....	60
E7. Accounting Standards not yet adopted.....	60

CONTENTS

E8.	Assumptions made about the future and other major sources of estimation uncertainty.....	60
E9.	Related Parties.....	61
E10.	Events after the Balance Sheet date.....	62
E11.	Contingent Assets.....	62
E12.	Contingent Liabilities.....	62
Notes to the Cashflow Statement		
F1.	Cash and Cash Equivalents.....	63
F2.	Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements...	63
F3.	Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities.....	63
F4.	Investing Activities.....	63
F5.	Financing Activities.....	64
Housing Revenue Account		
G1.	Overview.....	65
G2.	Movement on the HRA Statement.....	66
G3.	Property, Plant and Equipment.....	68
G4.	Housing Stock.....	71
G5.	Housing Revenue Account Capital Expenditure.....	71
G6.	Rent Arrears.....	71
G7.	Depreciation and Impairment of Non-Current Assets.....	72
G8.	Retirement Benefits.....	72
G9.	Capital Receipts Generated.....	72
Collection Fund		
H1.	The Collection Fund Statement.....	73
H2.	Council Tax Income.....	74
H3.	Non-Domestic Rates.....	75
Annual Governance Statement.....		76
Internal Auditor's Report.....		80
Glossary.....		82

NARRATIVE REPORT

Introduction

Local Authority accounts, like those of any organisation, are prepared to comply with a series of rules and conventions set by the accounting profession. However, for Local Authorities there are many types of transaction where the law, which takes precedence, requires a different treatment from the accounting rules. This effectively means that local authorities are trying to simultaneously fulfil two conflicting sets of rules when preparing their accounts.

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for items which must be in the accounts per the accounting rules but are not allowed in them under law, and vice versa. It is the legal rules that must be used when calculating budget requirements, council tax and housing rents.

As a result, all the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. The only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements.

The Statement of Accounts brings together the major financial statements for the financial year 2022/23. The statements and the notes that accompany them give a full and clear picture of the financial position of Redditch Borough Council.

The sections are:

- **Narrative Report** – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery
- **Statement of Responsibilities** – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- **Movement in Reserves Statement** – The movement in the year on the different reserves held by the Council
- **Comprehensive Income and Expenditure Statement** – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- **Balance Sheet** – The value of the assets and liabilities recognised by the Council and the Group as at 31 March 2023
- **Cash Flow Statement** – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Notes to the Financial Accounts** – The Statements are supported by technical notes
- **The Collection Fund and Notes** – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- **Group Accounts** - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences
- **Housing Revenue Account** - The housing revenue account is a ring-fenced account used to manage our (council owned) housing stock of some 5,600 properties. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account
- **Governance Statement** - The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively
- **Internal Auditors Report** – Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts
- **Glossary**

NARRATIVE REPORT

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2022/23 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Redditch Borough Council.

Our District

Redditch Borough Council sits within the West Midlands. It has a population of 84,000 over an area of 21 square miles. It has 41,000 homes and businesses and 29 Councillors over 12 Wards (the present boundary review will reduce this to nine wards and 27 Councillors in May 2024).

The Borough has an above-average number of young families; is densely populated other than outlying areas such as Feckenham; has major employment in 'traditional' manufacturing; has areas of significant deprivation; and average median incomes.

Local Councillors are elected by the community to decide how the Council should carry out its various activities. Elections are held every year for three years, with up to 10 seats contested at a time with no election in fourth year. All out elections will be held in 2024. The council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the executive committee, which is chaired by the Leader of the Council. The executive committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

The Council, along with Bromsgrove District Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

The Council's vision is "To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of efficiently-run, high quality services that ensure those most in need receive the appropriate help, support and opportunities."

Strategic Purpose

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers to understand what goes on in our communities and have considered how we collaborate with partners to support the issues within those communities.

Taking into account what really matters to our residents it produced a set of six strategic purposes; they are based on customer demands and data and evidence about the needs of and issues affecting the people of Redditch Borough Council.

NARRATIVE REPORT



National Position

The impact of both Covid-19 and Brexit are amongst the most significant economic events which are currently facing the UK.

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot be determined with any accuracy but is likely to have a significant impact on the economy, particularly as government financial assistance ends such as furlough and business grants and the country begins to recover from covid.

The UK formally left the European Union on 31 January 2020 with a transition period that lasted until the end of December 2020. It is currently difficult to quantify what the impact has been on the council, but the most obvious implications are to importing goods.

The uncertainties about future economic conditions make medium term financial planning even more challenging for the Council. The Council will continue to monitor the impact and provide updates.

Financial Performance

The following items have had an impact on the 2022/23 Financial Statements.

Organisational Performance

The Council implemented a new financial system on the 8 February 2021. This severely impacted the Council's ability to report financially during the 2021/22 financial year with the only reported financial monitoring being for Period 11. Because of this, and the impact this has had on the delivery of the 2020/21 accounts, in October 2022 the External Auditors issued a S24 Statement linked to the late delivery of the 2020/21 Accounts in November 2022 and the associated impact this had on the robustness of financial information. This S24 Statement was updated in October 2023 to include delivery of the audited 2020/21, 2021/22 and 2022/23 accounts. Since April 2022 the Council, with Bromsgrove, have been operating a financial recovery plan to rectify this situation. This has included the correction of the underlying issue in the financial system in November 2022. This is reflected in the Governance Statement.

NARRATIVE REPORT

Governance

Redditch Borough Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

Governance is about how the Council ensures that it is doing the right things, in the right way.

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors
- A transparent decision-making process through Council, Executive, Planning Committee
- Review and scrutiny of decisions through the Overview and Scrutiny Committee
- Behaving with integrity supported through a Code of Conduct
- Managing risk through the Corporate Management Team and Audit Governance & Standards Committee
- Clear strategic priorities linked to the needs of our communities and customers
- Regular performance management linked to strategic priorities and managed through a dashboard which is easily accessed and updated
- Having robust and regular financial management
- Having good communication with Councillors, employees, and the Community

The Council undertakes an annual review of its governance arrangements, and this is summarised in the Annual Governance Statement.

Reserves, Financial Performance and Financial Position

Financial Outlook

The Medium-Term Financial Plan 2022/23 – 2024/25 was approved by Council on 22 February 2021 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated by the start of the move back to “normal working” in 2022/23 as we move out of the Covid-19 pandemic. In this period, we have seen the significant drops of income seen in previous years starting to be rebuilt and reduction in one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses due to the Covid-19 pandemic.

There continues to be considerable pressure facing the Council over the next three years as a result of a number of issues including:

- £0.319m additional support for Rubicon in 2022/23.
- Ongoing investment in Rubicon buildings Repairs and Maintenance at £78k a year.
- Investment in ICT infrastructure and support at £101k a year.

The main source of income continues to be Council tax. The Chancellors’ November 2022 update still allows Councils to increase Council Tax by 2.99% or £5 per annum without a referendum. The medium-term financial plan assumes a further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a deficit in 2022/23 of £228k which then rises to deficits of £939k in 2023/24 and £833k in 2024/25. This impacts on General Fund reserves, reducing them by £2.292m to £228k. The Council needs to address this future year’s shortfall to avoid using general reserves to balance the budget. Indeed, if these deficits are not addressed then General Fund Reserves fall from a relatively low level of £2.3m to

NARRATIVE REPORT

a dangerously low level of £0.228m by the 1 April 2025.

	2022-23	2023-24	2024-25
	£000	£000	£000
Departmental base budget	10,064	10,051	10,132
Incremental Progression	144	275	361
Unavoidable Pressures	427	140	134
Revenue Bids/Revenue impact of capital bids	191	150	128
Savings and Additional income	-305	-327	-327
Changes in Specific Grant/Funding Movements	0	0	0
Net Revenue Budget Requirement	10,520	10,289	10,428
FINANCING			
Reserve release	-100	0	0
Lower Tier Services Grant	-100	0	0
Business Rates Net Position	-2,985	-2,985	-2,985
Council Tax	-6,747	-6,941	-7,031
Collection Fund Deficit (Council Tax)	-180	0	
New Homes Bonus	-330	0	
Investment Income	-673	-673	-673
MRP (Principal)	959	1,098	1,046
Interest payable	218	220	218
Discount on advanced pension payment	-301	-60	-170
Funding Total	-10,238	-9,341	-9,595
General Balances			
	2022-23	2023-24	2024-25
	£000	£000	£000
Estimated opening balances 22/23 (projected)	2,292	2,010	1,061
Contribution (from) / to General Balances	-282	-949	-833
Closing Balances	2,010	1,061	228

Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is managed through the Corporate Management Team and Audit Governance & Standards Committee. Its key corporate risks at the end of the 2022/23 financial year classified as highest priority, as reported to this Committee were:

- Non-adherence with Statutory Inspection Policies
- Protection from Cyber Attack

Nine other "Corporate Risks" were classified as Amber.

The most significant financial risk the Council faces is the correction of issues with its new financial system, which went live on 8 February 2021, which forms the financial recovery process.

Internal Audit issued a report in June 2021 with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no

NARRATIVE REPORT

assurance could be given. The Council acknowledged that there was a risk management system in place, and there were areas of good practice. However, this was not uniform across the Council. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils. Therefore, an action plan was put in place that:

- Set up a quarterly officer Risk Board, with representatives of each service area.
- That the 4Risk system (used for logging and mitigating risks) be fully updated and reviewed at these quarterly meetings.
- Ensured that the Corporate Management Team (CMT) and the Audit Committee, be updated by way of a quarterly report on progress and review the Council's Corporate and Departmental Risks.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 18. This demonstrates to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. A summary of the net expenditure as reported through the management accounts compared with the budget for 2022/23 is shown below:

	2022/23 Full Year Budget	2022/23 Cross-cutting saving allocation	2022/23 Revised Budget	2022/23 Outturn	2022/23 Variance
Regulatory Client	391,190	0	391,190	380,672	(10,518)
Business Transformation & Organisational Development	1,794,085	(76,055)	1,718,030	1,709,222	(8,808)
Chief Executive	(1,934,525)	0	(1,934,525)	(1,990,002)	(55,477)
Community & Housing GF Services	1,578,076	(154,853)	1,423,223	2,167,417	744,194
Environmental Services	2,779,319	0	2,779,319	4,660,443	1,881,124
Financial & Customer Services	1,905,007	(244,943)	1,660,064	(1,080,463)	(2,740,527)
Legal, Democratic & Property Services	2,238,105	(184,457)	2,053,648	2,266,687	213,039
Planning, Regeneration & Leisure Services	1,293,154	(83,106)	1,210,048	1,475,185	265,137
Cross cutting savings and efficiency targets	(595,012)	743,414	148,402	0	(148,402)
RBC Rubicon Client	1,070,604	0	1,070,604	1,098,205	27,601
Starting Well				10,741	10,741
Grand Total	10,520,000	0	10,520,000	10,698,104	178,104

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the Expenditure and Funding Analysis.

NARRATIVE REPORT

The main variances to budget in each strategic area are as below. Greater detail is available in the year-end outturn report.

Business Transformation & Organisational Development – outturn position £9k underspend

Within Business Transformation & Organisational Development the underspend is predominantly due to budget underspends within the ICT service which is offset in part with additional expenditure within Human Resources.

The overall overspend for the service is after the absorption of £76k cross cutting efficiency savings targets based upon forecast underspends within Human Resources at quarter 1 due to vacancies within the service.

Following the installation of a new HR software package, recruitment is underway to recruit to vacant posts within the service.

Chief Executive – outturn position £55k underspend

Within the Chief Executive area, the £55k underspend position is as a result of underspends within corporate expenses budgets and an additional contribution from the HRA, which is offset in part due to the additional costs of the 2022/23 pay award across all services.

Community and Housing General Fund Services – outturn position £744k overspend

Within Community and Housing General Fund Services the overspend is largely as a result of an overspend within Community Transport including Shopmobility. This overspend is as a result of a reduction in income for the service in addition to additional costs following the allocation of the pay award and fleet maintenance costs.

This overall overspend forecast is after the absorption of cross cutting efficiency savings targets totalling £155k based upon forecast underspends within Housing Options and Community Safety/CCTV at quarter 1 due to vacancies within the service.

Environmental Services – outturn position £1,881k overspend

Within Environmental Services there are five reasons for the variation:

- Waste Management – The overspend is largely as a result of increased fuel and fleet maintenance costs, in addition to the cost of the pay award.
- Tree Management – The overspend in this service is as a result of insurance claims.
- Place Teams – The overspend in this service is due to increased fuel and fleet maintenance costs.
- Bereavement Services – The overspend is as a result of increased expenditure on materials, professional fees, and the additional costs following the allocation of the pay award.
- Income at lower than expected levels across a number of service areas, largely as a result of covid.

Financial & Customer Services - outturn position £2,740k underspend

Within Finance & Customer Services there is an underspend relating to the application of covid grants. These have been offset by overspends relating to temporary staffing to support financial management, reduced court costs recovered and software costs. This is after the absorption of £245k cross cutting efficiency savings targets based upon forecast underspends at quarter 1.

Legal, Democratic and Property Services – outturn position £213k overspend

Within Legal, Democratic and Property Services there is an overspend in the region of £213k, this is after the absorption of £184k cross cutting efficiency savings targets. Facilities Management absorbed all of this cross-cutting efficiency savings target, however that is now the area where an overspend is anticipated. Underspends within Legal Advice & Services have reduced the overspend in part.

NARRATIVE REPORT

Planning, Regeneration and Leisure Services – draft outturn position £265k overspend (Q3 £88k overspend)

Within Planning, Regeneration and Leisure Services there is an overspend predominantly due to an anticipated overspend within Development Management due to costs of temporary support and professional fees. Planning fee income has been lower than anticipated. There are a number of underspends across other services within this area.

Cross cutting savings and efficiency targets

Organisational efficiency targets totalling £595k were allocated to service areas based upon underspends as at Quarter 1; predominantly linked to vacancies. The allocation of the pay award for 2022/23, which was in excess of budgeted provision, in addition to increased costs linked to fuel and utilities has resulted in overspends across a number of areas that contributed towards the cross-cutting savings target at the start of the year.

Regulatory Client – outturn position £11k underspend

The underspend for 2022/23 on the Regulatory Client is due to increased General Licencing and Taxi licensing income.

Rubicon Client – outturn position £28k overspend

There is a minor overspend in Rubicon Client.

Reserves

The position has resulted in the Council's General Fund position decreasing from an opening position of £11.525m to a closing balance of £8.924m. There was a small overspend of £0.178m and the balance relates to capital charges, depreciation and pension costs.

Earmarked reserves have increased from an opening position of £17.769m to a closing position of £17.818m.

Capital

The outturn report set out that expenditure was £3.051m against capital budgets of £5.431m approved for the year. This is an £2.380m underspend. The Medium-Term Financial Plan (MTFP) already requested £3.292m be slipped to future years.

Housing Revenue Account (HRA)

The Housing Revenue Account for 2022/23 is showing a surplus of £0.011m and this represents an actual contribution to HRA balances of £0.011m in comparison to the budget which was set at £0.069m contribution from HRA balances.

The major variances as follows:

- Repairs & Maintenance - Anticipated efficiency savings arising from improved work planning and timely delivery of works.
- Supervision & Management – The variance is predominantly due to vacant posts and reduced consultancy and professional fees.
- Provision for Bad Debts - Increase in arrears due to economic conditions prevailing.
- Depreciation & Impairment of Fixed Assets – Depreciation per dwelling was lower than expected.
- Interest Receivable - Increase in interest rate applied to HRA balances.

NARRATIVE REPORT

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment or reduce local taxation, and "unusable" which must be set aside for specific purposes. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movement in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase or decrease line shows the statutory general fund balance movements in the year following those adjustments.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2023.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long-term liabilities).

The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money. Business Rates is distributed to Central Government, Worcestershire County Council and Redditch Borough Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner, Redditch Borough Council and the Town & Parish Councils within the Redditch district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

The **Housing Revenue Account**

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**Statement of Responsibilities**The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority. In this Authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2023

.

..... Date:

Director of Finance and Resources (Chief Finance Officer)

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit, Governance and Standards Committee.

..... Date:

Chair

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2022/23			2021/22		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Business Transformation and Organisational Development		2,128	(454)	1,674	2,092	(592)	1,500
Community and Housing GF Services		5,153	(2,715)	2,438	4,947	(3,820)	1,127
Corporate Services		1,444	(5,078)	(3,634)	1,611	(6,034)	(4,423)
Environmental Services		6,809	(2,476)	4,332	6,286	(2,642)	3,644
Financial and Customer Services*		18,566	(5,165)	13,401	25,614	(22,201)	3,413
Housing Revenue Account		21,939	(25,965)	(4,026)	26,026	(24,252)	1,773
Legal, Democratic and Property Services		3,945	(1,307)	2,638	3,910	(1,553)	2,357
Planning, Regeneration and Leisure Services		3,330	(1,288)	2,042	3,368	(2,488)	880
Regulatory Client		634	(253)	381	556	(239)	317
Rubicon Client		2,114	(5)	2,108	1,788	(40)	1,747
Starting Well		766	(842)	(76)	663	(790)	(127)
		0	(2)	(2)	0	(2)	(2)
Cost of Services		66,827	(45,549)	21,278	76,861	(64,653)	12,207
Other Operating Expenditure	B4	18	(515)	(497)	45	(1,406)	(1,361)
Financing and Investment Income and Expenditure	B5	9,283	(4,607)	4,676	1,248	(1,170)	78
Taxation and Non-Specific Grant Income and Expenditure	B6	11,364	(33,180)	(21,816)	12,998	(27,129)	(14,131)
(Surplus) or Deficit on Provision of Services				3,640			(3,207)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(25,065)			(5,592)
Remeasurement of the net defined benefit liability/(asset)	E1			(4,025)			(5,826)
Other Comprehensive Income and Expenditure				(29,090)			(11,418)
Total Comprehensive Income and Expenditure				(25,450)			(14,625)

* Includes Section 31 Grants

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

	Notes	2022/23			2021/22		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Business Transformation and Organisational Development		2,128	(454)	1,674	2,116	(592)	1,524
Community and Housing GF Services		5,153	(2,715)	2,438	4,947	(3,820)	1,127
Corporate Services		1,444	(5,078)	(3,634)	1,586	(6,033)	(4,447)
Environmental Services		6,809	(2,476)	4,332	6,286	(2,642)	3,644
Financial and Customer Services		18,566	(5,165)	13,401	25,614	(22,201)	3,413
Housing Revenue Account		21,939	(25,965)	(4,026)	26,026	(24,252)	1,773
Legal, Democratic and Property Services		3,945	(1,307)	2,638	3,910	(1,553)	2,357
Planning, Regeneration and Leisure Services		3,330	(1,288)	2,042	3,368	(2,488)	880
Regulatory Client		634	(253)	381	556	(239)	317
Rubicon Client		3,667	(2,692)	974	4,211	(4,034)	177
Starting Well		766	(842)	(76)	663	(790)	(127)
Cost of Services		68,380	(48,236)	20,144	79,284	(68,647)	10,637
Other Operating Expenditure	B4	18	(515)	(497)	(1,222)	(179)	(1,401)
Financing and Investment Income and Expenditure	B5	9,283	(4,607)	4,676	1,248	(1,170)	78
Taxation and Non-Specific Grant Income and Expenditure	B6	11,364	(33,180)	(21,816)	13,038	(27,129)	(14,091)
(Surplus) or Deficit on Provision of Services				2,507			(4,777)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(25,065)			0
Remeasurement of the net defined benefit liability/(asset)	E1			(4,025)			(5,826)
Other Comprehensive Income and Expenditure				(29,090)			(5,826)
Total Comprehensive Income and Expenditure				(26,583)			(12,403)

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for Council and Group for the year ended 31 March 2023

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or (from) earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA Balance	Earmarked HRA Reserves	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Rubicon Leisure Limited	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2021	3,409	16,303	19,711	2,032	13,566	15,598	7,151	12,693	2,779	57,932	137,034	195,094	(181)	194,913
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	2,334	0	2,334	873	0	873	0	0	0	3,207	11,418	14,625	4,777	19,402
Adjustments between accounting basis & funding basis under regulations	8,538	0	8,538	(1,857)	0	(1,857)	4,999	701	0	12,381	(12,381)	0	(4,777)	(4,777)
Net Increase/Decrease before Transfers to Earmarked Reserves	10,872	0	10,872	(984)	0	(984)	4,999	701	0	15,588	(963)	14,625	0	14,625
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(2,755)	1,466	(1,289)	1,009	(1,009)	0	0	0	0	(1,289)	0	(1,289)	1,289	16,340
Balance as at 31 March 2022	11,525	17,769	29,294	2,058	12,556	14,614	12,150	13,394	2,779	72,230	136,071	210,101	1,108	209,400
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	3,321	0	3,321	319	0	319	0	0	0	3,640	29,090	32,730	978	33,708
Adjustments between accounting basis & funding basis under regulations	(5,873)	0	(5,873)	(1,186)	0	(1,186)	1,888	(153)	375	(4,949)	58,671	53,722	0	53,722
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,552)	0	(2,552)	(867)	0	(867)	1,888	(153)	375	(1,310)	87,761	86,452	978	87,430
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(49)	49	0	785	(785)	0	0	0	0	0	0	0	0	87,430
Balance as at 31 March 2023	8,924	17,818	26,743	1,976	11,771	13,747	14,038	13,241	3,154	70,922	223,832	294,754	2,086	296,840

BALANCE SHEET

Balance Sheet as at 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide service. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

	Notes	31st March 2023 £000	31st March 2022 £000
Property, Plant & Equipment	D1	382,004	371,297
Investment Property	D2	899	897
Intangible Assets	D3	1,046	884
Assets held for sale	D8	906	0
Long Term Assets		384,855	373,078
Short Term Investments	E2	41,850	30,897
Inventories	D9	2,374	731
Short Term Debtors	E2	13,265	45,460
Cash and Cash Equivalents	F1	15,620	26,709
Current Assets		73,108	103,797
Other Short Term Liabilities	E2	(9,000)	(27,852)
Short Term Creditors	E2	(39,004)	(47,185)
Provisions	D6	(1,798)	(987)
Revenue Grants received in advance		(3,759)	(14,690)
Current Liabilities		(53,561)	(90,714)
Long Term Borrowing	E2	(104,064)	(104,064)
Other Long Term Liabilities	E2	(2,791)	(69,777)
Capital Grants received in advance		(2,793)	(4,019)
Long Term Liabilities		(109,648)	(177,860)
Net Assets		294,754	208,301
Usable reserves	C3	70,922	72,230
Unusable Reserves	C4	223,832	136,071
Total Reserves		294,754	208,301

BALANCE SHEET**Group Balance Sheet as at 31 March 2023**

	Notes	31st March 2023 £000	31st March 2022 £000
Property, Plant & Equipment	D1	382,250	371,594
Investment Property	D2	899	897
Intangible Assets	D3	1,046	884
Long Term Debtors	D8	906	128
Long Term Assets		385,101	373,504
Short Term Investments	E2	41,850	30,897
Inventories	D9	2,393	750
Short Term Debtors	E2	13,318	44,010
Cash and Cash Equivalents	F1	18,602	27,652
Current Assets		76,163	103,309
Short Term Borrowing	E2	(9,000)	(27,357)
Short Term Creditors	E2	(40,220)	(46,224)
Provisions	D6	(1,798)	(987)
Revenue Grants received in advance		(3,759)	(13,401)
Current Liabilities		(54,778)	(87,969)
Long Term Borrowing	E2	(2,791)	(104,064)
Other Long Term Liabilities	E2	(2,793)	(69,777)
Capital Grants received in advance		(104,064)	(5,594)
Long Term Liabilities		(109,648)	(179,435)
Net Assets		296,838	209,409
Usable reserves	C3	73,006	73,338
Unusable Reserves	C4	223,832	136,071
Total Reserves		296,838	209,409

The Group Balance Sheet reflect Rubicon unusable reserves of £2,086k. This is made up of PPE of £246k, £19k inventories, £53k short term debtors, £2.982k cash and cash equivalents and £1,216k short term creditors.

CASH FLOW STATEMENT

Cash Flow Statement at 31 March 2023

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Notes	2022/23 £000	2021/22 £000
Net surplus or (deficit) on the provision of services		(3,640)	3,207
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	44,610	20,524
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	(5,654)	(3,738)
Net cash flows from Operating Activities		35,316	19,993
Investing Activities	F4	(59,022)	(27,875)
Financing Activities	F5	12,617	27,852
Net increase or (decrease) in cash and cash equivalents		(11,089)	19,970
Cash and cash equivalents at the beginning of the reporting period		26,709	6,739
Cash Balance at End of Period		15,620	26,709

CASH FLOW STATEMENT**Group Cash Flow Statement as at 31 March 2023**

	Notes	2022/23 £000	2021/22 £000
Net surplus or (deficit) on the provision of services		(20,433)	4,777
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	63,442	19,962
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	(5,654)	(3,738)
Net cash flows from Operating Activities		37,355	21,001
Investing Activities	F4	(59,022)	(27,875)
Financing Activities	F5	12,617	27,357
Net increase or (decrease) in cash and cash equivalents		(9,050)	20,483
Cash and cash equivalents at the beginning of the reporting period		27,652	7,169
Cash Balance at End of Period		18,602	27,652

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2022/23	Net Expenditure in the Comprehensive Income and Expenditure Statement	Strategic Purpose	Net Expenditure Chargeable to the General Fund Balances	2021/22	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis				Adjustments between the Funding and Accounting Basis	
£000	£000	£000		£000	£000	£000
1,513	(162)	1,674	Business Transformation and Organisational Development	1,524	0	1,524
1,779	(658)	2,438	Community and Housing GF Services	951	(176)	1,127
(3,760)	(127)	(3,634)	Corporate Services	(5,244)	(797)	(4,447)
3,507	(825)	4,332	Environmental Services	3,507	(137)	3,644
12,397	(1,004)	13,401	Financial and Customer Services	2,660	(754)	3,413
(11,686)	(7,659)	(4,026)	Housing Revenue Account	714	(1,060)	1,773
1,603	(1,034)	2,638	Legal, Democratic and Property Services	(5,509)	(7,866)	2,357
1,438	(604)	2,042	Planning, Regeneration and Leisure Services	102	(778)	880
381	0	381	Regulatory Client	(233)	(550)	317
917	(1,191)	2,108	Rubicon Client	1,104	(644)	1,747
(344)	(268)	(76)	Starting Well	(342)	(215)	(127)
7,745	(13,533)	21,278	Net Cost of Services	(768)	(12,977)	12,209
4,522	22,159	(17,638)	Other Income and Expenditure	(15,414)	0	(15,414)
12,267	8,626	3,640	Surplus or Deficit	(16,182)	(12,977)	(3,207)

(3,343)	Opening General Fund Balance	11,525
12,267	Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(16,182)
8,924	Closing General Fund Balance at 31 March	(3,343)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B2. Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Business Transformation and Organisational Development	(30)	(132)	0	0	(162)
Community and Housing GF Services	(32)	(626)	0	0	(658)
Corporate Services	0	(127)	0	0	(127)
Environmental Services	(788)	(37)	0	0	(825)
Financial and Customer Services	0	(1,004)	0	0	(1,004)
Housing Revenue Account	(6,335)	(1,325)	0	0	(7,659)
Legal, Democratic and Property Services	(705)	(330)	0	0	(1,034)
Planning, Regeneration and Leisure Services	(358)	(246)	0	0	(604)
Regulatory Client	0	0	0	0	0
Rubicon Client	(1,191)	0	0	0	(1,191)
Starting Well	(70)	(198)	0	0	(268)
Net Cost of Services	(9,508)	(4,025)	0	0	(13,533)
Other Income and Expenditure from the Expenditure and Funding Analysis	0	0	22,159	0	22,159
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,508)	(4,025)	22,159	0	8,626

B3. Expenditure and Income Analysed by Nature

Expenditure:	2022/23 £000	2021/22 £000
Employee Benefits Expenses	13,623	16,984
Other Expenditure	59,230	57,303
Depreciation, Amortisation, Impairment	9,459	8,376
Interest Payments	6,426	5,421
Precepts and Levies	18	40

Income:	2022/23 £000	2021/22 £000
Fees, Charges and other service Income	(41,516)	(42,994)
Interest and Investment Income	(2,787)	(1,194)
Income for Council tax, non-domestic rates, district rate income	(14,660)	(20,488)
Government grants and Contributions	(26,153)	(26,656)

(Surplus) or Deficit on the Provision of Services	3,640	(3,207)
--	--------------	----------------

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Revenue from contracts with Service Recipients

The policy on fees and charges is that all services should be charged where it is appropriate to do so unless there are conflicting policies for legal reasons not to do so. The charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.

Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the service. Charges must be linked to both service and strategic objectives and be clearly understood.

The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood. Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services. Where appropriate, annual inflationary uplifts will be applied by the Council and approved through the budget setting process.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B4. Other Operating Income and Expenditure

	2022/23 £000	2021/22 £000
Parish council precepts	18	45
Other	(515)	(1,406)
Total	(497)	(1,361)

B5. Financing and Investment Income and Expenditure

	2022/23 £000	2021/22 £000
Interest payable and similar charges	9,283	0
Net interest on the net defined benefit liability (asset)	0	720
Interest receivable and similar income	(4,607)	0
Other investment income	0	(642)
Total	4,676	78

B6. Taxation and Non-Specific Grant Income and Expenditure

	2022/23 £000	2021/22 £000
Income		
Council Tax Income	(6,724)	(6,465)
Non Domestic Rates Income and Expenditure	3,406	(2,825)
Non-ring-fenced government grants	(17,170)	(4,507)
Capital Grants and Contributions	(1,328)	(334)
Total	(21,816)	(14,131)

B7. Members Allowances

	2022/23 £000	2021/22 £000
Basic Allowances	135	128
Special Allowances	98	95
Expenses Inc. Car Allowances	1	4
Total	234	227

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B8. External Audit Costs

The Council has incurred the following costs relating to the annual audit of the statement of accounts, certification of grant claims and other services provided by the Council's external auditors.

	2022/23 £000	2021/22 £000
Fee Variations agreed for External Audit *	55	-3
Housing Benefit Audit (relates to previous years)**	1	0
Housing Benefit Audit	33	29
Fees payable with regard to external audit services carried out by the appointed auditor for the year	54	47
Total	143	73

* The fee variations agreed for External audit for 21-22 are in relation to previous years

* The fee variations agreed for External audit for 22-23 are in relation to years 20-21, 21-22 & 22-23 for new system implementation & VFM

** Please note the Housing Benefit Adj is in relation to previous years

B9. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2022/23 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income	£000	£000
Revenue Support Grant	446	(90)
New Homes Bonus	(330)	(84)
Section 31	10,587	(1,320)
Capital Grants	(1,751)	(1,407)
Non ring-fenced Grant	(1,541)	0
Total	7,411	(2,900)

	2022/23 £000	2021/22 £000
Credited to Services	£000	£000
MHCLG Local Council Tax Support Admin Subsidy	(97)	0
MHCLG New Burdens	(113)	(231)
MHCLG NNDR Cost of Collection	(40)	(191)
MHCLG Homelessness Grants	373	(539)
MHCLG COVID 19	0	(2,872)
DWP Admin Grant	(231)	(223)
DWP Discretionary Housing	(402)	(124)
DWP Housing Benefit Subsidy	(13,408)	(9,530)
MHCLG Covid-19 Emergency Grant	0	(532)
Other grants	0	(954)
Total	(13,918)	(15,196)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B10. Officer Remuneration

Since 2010/11, the Management Team has been shared between Redditch Borough Council and Bromsgrove District Council, with each Authority being charged 50% of the cost of each post.

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2022/23	162,497	25,463	187,960	93,980	93,980
	2021/22	159,379	25,120	184,499	92,249	92,249
Executive Director of Finance & Resources up to 6th July 2022	2022/23	31,488	4,942	36,430	18,215	18,215
	2021/22	117,623	18,589	136,211	68,106	68,106
Executive Director of Finance & Resources 7th July to 31st March 2023	2022/23	116,958	-	116,958	58,479	58,479
	2021/22	-	-	-	-	-
Head Of Legal & Democratic Services	2022/23	99,785	15,716	115,501	57,751	57,751
	2021/22	97,066	15,373	112,439	56,220	56,220
Total	2022/23	410,728	46,121	456,849	228,425	228,425
	2021/22	374,067	59,082	433,150	216,575	216,575
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2022/23	130,171	21,357	151,529	75,764	75,764
	2021/22	127,259	20,999	148,258	74,129	74,129
Total	2022/23	130,171	21,357	151,529	75,764	75,764
	2021/22	127,259	20,999	148,258	74,129	74,129

Senior Employees Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Redditch Borough Council

	2022/23	2021/22
£50,001 to £55,000	2	3
£55,001 to £60,000	5	10
£60,001 to £65,000	10	5
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	2
£85,001 to £90,000	5	4
£90,001 to £95,000	0	1
£95,001 to £100,000	1	0
£100,001 to £105,000	0	1
£105,001 to £110,000	1	0
£110,001 to £115,000	0	1
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	1	1
Total	25	28

B11. Termination Benefits

The Council had a number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	20	0	4	2	24	2	224,335	33,708
£20,001 - £40,000	1	0	0	0	1	0	22,342	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total cost included in bandings							246,677	33,708
Cost to Redditch Borough Council							246,677	33,708
Exit Packages undertaken by Redditch Borough Council with a shared cost to Bromsgrove District Council							0	0
Total cost included in the CIES							246,677	33,708

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact upon the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, however, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for Local Authority Council housing provision in accordance with Part IV of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Usable Reserves						
Balance Sheet as at 31 March 2023	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	(3,792)	0	0	0	0	3,792
Council tax and NDR (transfers to or from the Collection Fund)	(3,800)	0	0	0	0	3,800
Holiday pay (transferred to the Accumulated Absences reserve)	(128)	0	0	0	0	128
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,048	5,446	0	0	0	(8,362)
Total Adjustments to Revenue Resources	(3,672)	5,446	0	0	0	(642)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,124)	0	3,124	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,846)	0	5,846	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	375	(375)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,251	(785)	0	0	0	(138)
Total Adjustments to Revenue Resources	(873)	(6,632)	3,124	5,846	375	(513)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,236)	0	0	1,236
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(6,000)	0	6,000
Application of capital grants to finance capital expenditure	(1,328)	0	0	0	0	1,328
Total Adjustments to Capital Resources	(1,328)	0	(1,236)	(6,000)	0	8,563
Total Adjustments	(5,873)	(1,186)	1,888	(153)	375	7,408

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C2. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22 and 2022/23.

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	01-Apr-21	2021/22	2021/22	31-Mar-22	2022/23	2022/23	31-Mar-23
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Business Rates Retention Scheme	3,082	1,478	0	4,560	0	0	4,560
Community Development	74	0	0	74	0	0	74
Community Safety	353	507	0	860	0	(649)	211
Corporate Services	4,652	0	0	4,652	0	0	4,652
Customer Services	93	0	0	93	90	0	183
Economic Growth	330	208	0	538	180	0	718
Electoral Services	49	0	0	49	14	0	63
Environmental Vehicles	29	0	0	29	0	0	29
Equipment replacement	25	0	0	25	0	0	25
Financial Services	87	72	(10)	149	0	0	149
General Risk reserve	45	0	0	45	0	0	45
Housing Benefit Implementation	270	0	0	270	0	0	270
Housing Support	1,029	509	(3)	1,535	0	0	1,535
Land Charges	9	0	0	9	0	0	9
Land Drainage	129	0	0	129	0	0	129
Parks & Open spaces	8	0	0	8	0	0	8
Planning Services	398	150	(36)	512	180	0	692
Sports Development	9	107	(39)	77	0	(95)	(18)
Town Centre	7	0	0	7	0	0	7
Warmer Homes	16	0	0	16	0	0	16
Transformational Growth	123	0	0	123	0	0	123
Pensions	201	0	0	201	0	0	201
Regeneration Income	273	0	0	273	329	0	602
Restart Grants	0	0	0	0	2,900	0	2,900
Covid-19 (General)	580	0	0	580	0	0	580
Covid-19 (Collection Fund)	4,433	0	(1,478)	2,955	0	(2,900)	55
TOTALS	16,304	3,031	(1,566)	17,769	3,693	(3,644)	17,818
HRA							
Housing Capital	13,564	0	(1,009)	12,555	0	(784)	11,771
Total HRA	13,564	0	(1,009)	12,555	0	(786)	11,771
Total Earmarked Reserves	29,868	3,031	(2,575)	30,324	3,693	(4,430)	29,589

C3. Usable Reserves

	31/03/2023	31/03/2022
	£000	£000
Capital Receipts Reserve	14,038	12,150
Capital Grants Unapplied	3,154	2,779
Major Repairs Reserve	13,241	13,394
HRA Balances	1,976	2,057
HRA Earmarked Reserves	11,771	12,556
General Fund Balances	8,924	11,526
Earmarked Reserves	17,818	17,618
Total Usable Reserves	70,922	72,080

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Capital Receipts Reserve

These are receipts from the sale of Council assets (all relating to the Housing Revenue Account), which have not yet been used to finance capital expenditure.

	31/03/2023 £000	31/03/2022 £000
Balance 1 April	12,150	6,944
Opening Balance Adjustment	0	207
Capital Receipts in year	3,124	6,064
Sub-Total	15,274	13,215
Less:		
Capital Receipts Pooled	0	0
Capital Receipts used for financing	(1,236)	(1,065)
Balance 31 March	14,038	12,150

Since 1 April 2016, Local Authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the balance is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

Capital Grants Unapplied

	31/03/2023 £000	31/03/2022 £000
Balance on 1 April	2,779	2,779
Unapplied Capital Grants received in year	375	0
Unapplied Capital Grants transferred to CAA in year on application	0	0
Balance 31 March	3,154	2,779

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.846m in year. The reserve was used to finance £6m of the Housing Investment Programme, decreasing the balance held in reserves from £13.394m to £13.240m.

	31/03/2023 £000	31/03/2022 £000
Balance at 1 April	13,394	12,693
Depreciation	5,847	5,893
Capital expenditure on HRA Land, Houses and Other Property	(6,000)	(5,192)
Balance 31 March	13,241	13,394

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C4. Unusable Reserves

	31/03/2023	31/03/2022
	£000	£000
Revaluation Reserve	(92,486)	(67,232)
Capital Adjustment Account	(144,794)	(148,230)
Pensions Reserve	8,617	78,488
Collection Fund Adjustment Account	4,575	775
Accumulated Absences Account	256	128
Total Unusable Reserves	(223,832)	(136,071)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	(67,232)	(68,820)
Upward revaluation of assets	(25,254)	1,588
Derecognition of Property disposed of	0	0
Balance at 31 March	(92,486)	(67,232)

Capital Adjustment Reserve

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	148,230	152,331
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(9,495)	(2,483)
Revenue expenditure funded from capital under statute	(852)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,422)	(4,450)
	(12,769)	(6,933)
Adjusting amounts written out of the Revaluation Reserve	(1,083)	0
Net written out amount of the cost of non current assets consumed in the year	(13,852)	(6,933)
Capital financing applied in the year:		

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Use of the Capital Receipts Reserve to finance new capital expenditure	1,520	0
Use of the Major Repairs Reserve to finance new capital expenditure	6,501	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,543	0
Application of grants to capital financing from the Capital Grants Unapplied Account	0	1,498
Capital expenditure charged against the General Fund	852	1,334
	10,416	2,832
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Deferred Capital Receipts realised	0	0
Balance at 31 March	144,794	148,230

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2023 £000	31/03/2022 £000
Balance at 1 April	(78,488)	(76,496)
Remeasurements of the net defined benefit liability/(asset)	(3,304)	270
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	69,871	(5,872)
Employers pensions contributions and direct payments to pensioners payable in the year	3,304	3,610
Balance at 31 March	(8,617)	(78,488)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2023 £000	31/03/2022 £000
Balance at 1 April	(775)	(7,553)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,800)	6,778
Balance at 31 March	(4,575)	(775)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Accumulated Absences Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlements carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2023 £000	31/03/2022 £000
Balance at 1 April	(128)	(127)
Settlement or cancellation of accrual made at the end of the preceding year	128	127
Amounts accrued at the end of the current year	(256)	(128)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	(256)	(128)

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Current Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2022	323,205	10,251	33,538	13,881	5,076	1,378	3,588	1,775	392,692
Additions	0	0	11,737	48	78	247	7,837	0	19,947
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	-2,422	0	0	0	0	0	0	0	-2,422
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2023	320,783	10,251	45,275	13,929	5,154	1,625	11,425	1,775	410,217
Depreciation and Impairment									
Balance as at 1 April 2022	-5,603	0	-3,469	-11,068	-1,306	0	0	0	-21,446
Depreciation Charge	-122	0	-2,353	-760	-139	0	0	0	-3,374
Depreciation written out on Revaluation Reserve	0	0	-1,138	0	0	0	0	0	-1,138
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	-2,254	0	0	0	0	0	-2,254
Balance as at 31 March 2023	-5,725	0	-9,214	-11,828	-1,445	0	0	0	-28,212
Net Book Value									
Balance as at 31 March 2023	315,058	10,251	36,061	2,101	3,709	1,625	11,425	1,775	382,004
Balance as at 31 March 2022	317,602	10,251	30,069	2,813	3,770	1,378	3,588	1,775	371,297

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment

Comparative Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2021	320,109	9,939	25,546	13,035	5,560	1,335	5,678	1,881	383,083
Adjustments re prior years	(5,392)	312	7,943	443	(484)	43	(5,137)	(106)	(2,378)
Adjusted opening balance	314,717	10,251	33,489	13,478	5,076	1,378	541	1,775	380,705
Additions	6,947	0	0	403	0	0	3,047	0	10,397
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	5,991	0	49	0	0	0	0	0	6,040
Derecognition - Disposals	(4,450)	0	0	0	0	0	0	0	(4,450)
Other movements	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	323,205	10,251	33,538	13,881	5,076	1,378	3,588	1,775	392,692
Depreciation and Impairment									
Balance as at 1 April 2021	(7,969)	0	393	(8,898)	(1,151)	43	0	0	(17,582)
Adjustments re prior years	7,958	0	(2,397)	(1,443)	(12)	(43)	0	0	4,063
Adjusted opening balance	(11)	0	(2,004)	(10,341)	(1,163)	0	0	0	(13,519)
Depreciation Charge	(5,592)	0	(1,465)	(727)	(143)	0	0	0	(7,927)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	(5,603)	0	(3,469)	(11,068)	(1,306)	0	0	0	(21,446)
Net Book Value									
Balance as at 31 March 2022	317,602	10,251	30,069	2,813	3,770	1,378	3,588	1,775	371,247
Balance as at 31 March 2021	312,140	9,939	25,939	4,137	4,408	1,378	5,678	1,881	365,500

NOTES TO THE BALANCE SHEET

Depreciation

All assets have been depreciated using a reducing balance method. For the housing revenue account, the depreciation calculation is based on the replacement cost and useful life of major components – bathroom, kitchen, roof, rewire, central heading boiler, central heating system, windows and the structure.

The Council's valuers and surveyors have determined the useful economic life of the assets. Buildings have a useful life of between 15 to 100 years. Vehicles, plant and equipment and software licences have a useful life of between 5 to 10 years.

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2022/23.

Valuations of land and buildings are conducted in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2022/23 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This was in line with 2021/22.

Transfers between levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Surplus Assets Significant observable inputs (Level 2)

The fair value for the assets has been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and best use of surplus assets

In estimating the fair value of the Authority's surplus assets, the highest and best use of the assets is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £1.775m. Valuations have been conducted by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

NOTES TO THE BALANCE SHEET

D2. INVESTMENT PROPERTIES

	2022/23	2021/22
	£000	£000
Balance at start of the year	897	897
Additions:		
- Purchases	2	0
Disposals	0	0
Transfers:		
- to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	899	897

D3. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.342m (£0.024m in 2021/22) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

The movement in intangible assets for the year is as follows:

	£000
Balance as at 1 April 2022	2,635
Adjustments	(304)
Revised balance	2,331
Additions	769
Balance as at 31 March 2023	3,100
Depreciation and Impairment	
Balance as at 1 April 2022	(1,751)
Adjustments	39
Revised balance	(1,712)
Depreciation Charge	(342)
Balance as at 31 March 2023	(2,054)
Net Book Value	
Balance as at 31 March 2023	1,046
Balance as at 31 March 2022	884

NOTES TO THE BALANCE SHEET

D4. Debtors

	Long term debtors		Short term debtors	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Central Government Bodies	0	0	9,103	4,074
Other entities and individuals	906	0	0	13,152
Housing Rents	0	0	7,530	31,968
Less bad debt provision	0	0	(3,368)	(3,734)
Total	906	0	13,265	45,460

D5. Creditors

	Short term creditors	
	2022/23 £000	2021/22 £000
Central Government bodies	1,081	(9,101)
Other local authorities	4,136	0
Housing Rents Prepaid	(13,870)	(841)
Other Entities and Individuals	(30,351)	(37,244)
Total	(39,004)	(47,186)

D6. Provisions
2022/23

	Balance as at 1 April 2022 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2023 £000
Insurance	(384)	(88)	0	(472)
NNDR Appeals	(475)	(723)	0	(1,198)
Employee Benefit	(128)	0	0	(128)
Total	(987)	(811)	0	(1,798)

2021/22

	Balance as at 1 April 2021 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2022 £000
Insurance	(383)	(15)	14	(384)
NNDR Appeals	(2,870)	(4,305)	6,700	(475)
Employee Benefit	(128)	0	0	(128)
Total	(3,381)	(4,320)	6,714	(987)

NOTES TO THE BALANCE SHEET

Business Rates Appeals Provision

Within the Collection Fund, the Council has set aside provision for any potential liabilities because of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge was upheld in May 2020 and payments have been made during the financial year.

There is no allocation of the business rates appeals to the Council because of the arrangements in place whereby Worcestershire County Council have taken the lead of a Pilot Business Rates Pool covering all of Worcestershire, securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

The Council also holds a provision for potential insurance claims. This is currently £0.472m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1 December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council.

The Council continues to own the buildings and Rubicon operate services at the following sites:

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winvates Green Meeting Rooms
- Arrow Valley Visitor Centre

The company activity is included in the Group Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors. This is to avoid a double count. In addition, the Company inventory, cash and reserves are reflected in the Group Balance Sheet.

There is no goodwill as the group did not arise through a purchase.

D7. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increased in the Capital Financing Requirement (CFR) which is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

NOTES TO THE BALANCE SHEET

Capital Expenditure and Capital Financing	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement	148,006	146,719
Capital Investment		
Property, Plant and Equipment	10,033	10,397
Investment Properties	0	0
Intangible Assets	664	318
Revenue Expenditure Funded from Capital under Statute	0	0
Total	10,697	10,715
Sources of finance		
Capital receipts	(1,236)	(1,064)
Government grants and other contributions	(1,596)	(2,163)
Major Repairs Allowance	(6,000)	(5,192)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	0	0
HRA	(785)	(1,009)
	(9,617)	(9,428)
Closing Capital Finance Requirement	149,086	148,006
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,080	1,287
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	1,080	1,287

D8. Assets Held for Sale

There were assets held for sale to the value of £0.906m as at 31 March 2022. To be an asset held for sale, it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months.

D9. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2023 and 2022 are as follows:

	Consumable Stores	
	2022/23	2021/22
	£000	£000
Balance outstanding at start of year	731	465
Purchases	1,694	519
Recognised as an expense in year	(51)	(253)
Written off balances	0	0
Balance outstanding at year end	2,374	731

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E1. Defined Benefit Pension Scheme

Retirement Benefits

Discretionary post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no planned assets built up to meet these pension liabilities.

Transactions relating to post-employment Benefits.

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	4,025	3,865	0	0
Past service cost	0	441	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,919	1,492	0	74
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,944	5,798	0	74

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	(3,807)	(4,703)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(3,085)	(1,496)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(73,532)	(529)	0	327
Actuarial gains and losses arising on changes in Experience	16,403	612	0	(75)
Other	39	38	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(58,038)	(280)	0	326

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code		(5,944)	(5,798)	0	(74)
Actual amount charged against the general fund balance for pensions in the year:					
Employers' contributions payable to scheme		3,786	3,610	0	0
Retirement benefits payable to pensioners		0	0	0	269

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Present value of the defined obligation	(137,222)	(195,060)	(3,294)	(3,351)
Fair value of plan assets	126,996	125,749	0	0
Net liability arising from the defined benefit obligation	(10,226)	(69,311)	(3,294)	(3,351)

Net Liability and Pension Strain	Local Government Pension Scheme	
	2022/23 £000	2021/22 £000
Local Government Pension Scheme	(10,226)	(69,311)
Discretionary Benefits	(3,294)	(3,351)
Pension Strain Liability	0	0
Sub-total	(13,520)	(72,662)
Advance Payment of Pension Contributions	0	4,185
Net liability arising from the defined benefit obligation	(13,520)	(68,477)

The present value of the defined obligations includes as an estimated cost following the decision of the Sargeant/McCloud cases (generally referred to as McCloud), which rules that the transitional protections offered to older members of the Public Service Pension Schemes were amended, constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes including the Local Government Pension Scheme. However, whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

		Local Government Pension Scheme		Discretionary Benefits	
		2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening fair value of scheme assets		120,898	119,747	0	0
Interest income		3,371	2,503	0	0
Remeasurement gain/(loss):			0	0	0
the return on plan assets, excluding the amount included in the net interest expense		3,807	4,703	0	0
Contributions from employer		3,786	3,610	0	269
Contributions from employees into the scheme		631	620	0	0
Benefits/transfers paid		(5,458)	(5,396)	0	(269)
Administration costs		(39)	(38)	0	0
Closing value of scheme assets		126,996	125,749	0	0

Reconciliation of the present value of the scheme liabilities

		Local Government Pension Scheme		Discretionary Benefits	
		2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance at 1 April		(192,948)	(192,948)	(3,294)	(3,294)
Current service cost		(4,025)	(3,865)	0	0
Interest cost		(5,290)	(3,995)	0	(74)
Contributions from scheme participants		(631)	(620)	0	0
Remeasurement (gains) and losses:		0	0	0	0
	Experience (gains/losses)	(16,403)	(612)	0	75
	Financial Assumptions (gains/losses)	73,532	529	0	(327)
	Demographic Assumptions (gains/losses)	3,085	1,496	0	0
Past service cost		0	0	0	0
Losses/(gains) on curtailments where relevant		0	(441)	0	0
Benefits/transfers paid		5,458	5,396	0	269
Liabilities extinguished on settlements (where relevant)		0	0	0	0
Balance as at 31 March		(137,222)	(195,060)	(3,294)	(3,351)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Local government pension scheme assets comprised:

All scheme assets have quoted prices in active markets.

	Fair value of scheme assets	
	31/03/2023	31/03/2022
Cash and cash equivalents		
Equities:		
UK quoted	131	143
Overseas quoted	28,378	30,279
PIV - UK managed	15,971	17,041
PIV - UK managed (overseas)	48,239	49,343
PIV - Overseas managed	964	986
Sub-total equity	93,683	97,792
Bonds:		
UK Corporate	0	0
Overseas Corporate	1,704	1,704
Other Corporate	0	0
UK Government Fixed	1,958	2,755
Overseas Government	0	916
Sub-total bonds	3,662	5,375
Property:		
European Property Fund	0	0
UK Property Debt	841	878
Overseas Property Debt	561	586
UK Property Funds	5,329	5,564
Overseas REITs	0	0
Sub-total property	6,731	7,028
Alternatives		
UK Infrastructure	5,696	5,948
European Infrastructure	3,797	3,965
US Infrastructure	3,164	3,304
UK Stock Options	506	528
Overseas Stock Options	(253)	(264)
Corporate Private Debt	1,899	1,983
Sub-total alternative funds	14,809	15,464
Total assets	118,885	125,659

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2023.

The significant assumptions used by the actuary are set out overleaf:

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23	2021/22	2022/23	2021/22
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.7	22.7	22.7
Women	25.1	25.1	25.1	25.1
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.4	24.4	24.4
Women	27.1	27.1	27.1	27.1
Financial assumptions:				
Rate of inflation	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%	4.2%	4.2%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Discount Rate	2.1%	2.1%	2.1%	2.1%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The longevity assumption, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The scheme takes account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	6,007	(6,007)
Rate of inflation (increase or decrease by 0.1%)	3,143	(3,143)
Rate of increase in salaries (increase or decrease by 0.1%)	231	(231)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,095)	3,095

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E2. Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	0	0	0	0	0	0	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	41,850	30,897	13,265	45,460	55,115	76,357	0	0	0	0	0	0
Total Financial Assets	41,850	30,897	13,265	45,460	55,115	76,357	0	0	0	0	0	0
Non-Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total	41,850	30,897	13,265	45,460	55,115	76,357	0	0	0	0	0	0

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised Cost	(9,000)	(27,852)	(39,004)	(47,185)	(48,004)	(75,037)	(104,064)	(104,064)	(68,870)	(69,777)	(172,934)	(173,841)
Total Financial Liabilities	(9,000)	(27,852)	(39,004)	(47,185)	(48,004)	(47,185)	(104,064)	(104,064)	(68,870)	(69,777)	(172,934)	(173,841)
Non-Financial Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total	(9,000)	(27,852)	(39,004)	(47,185)	(48,004)	(47,185)	(104,064)	(104,064)	(68,870)	(69,777)	(172,934)	(173,841)

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years, which will be repaid on the sale of the property. In all cases, no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E3. Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council within the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used. Credit ratings are obtained and monitored by the Council's Treasury Advisors, who will notify changes in the ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investment will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

The credit criteria in respect of financial assets held by the Council are detailed below:

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
	£2.5m	£2.5m	£2.5m	£2.5m	£1m

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

AA+	5 years	10 years	25 years	10 years	10 years
AA	£2.5m	£2.5m	£2.5m	£2.5m	£1m
	4 years	5 years	15 years	5 years	10 years
AA-	£2.5m	£2.5m	£2.5m	£2.5m	£1m
	3 years	4 years	10 years	4 years	10 years
A+	£2.5m	£2.5m	£2.5m	£2.5m	£1m
	2 years	3 years	5 years	3 years	5 years
A	£2.5m	£2.5m	£2.5m	£2.5m	£1m
	13 months	2 years	5 years	2 years	5 years
A-	£2.5m	£2.5m	£2.5m	£2.5m	£1m
	6 months	13 months	5 years	13 months	5 years
None	£1m	n/a	£3m	£1m	£500k
	6 months		25 years	5 years	5 years
Pooled funds	£2.5m per fund or trust				

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the Debt Management Account Deposit Facility (DMADF) are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

Corporates: Loans, bonds, and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and extremely low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

meet its commitments under financial instruments.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charges to the Surplus / Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus / Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus / Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2022/23, the Council had no variable long-term investments or borrowings.

Price Risk

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.

E4. Leases

Leases are classified as finance leases, where the terms of the lease transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee – Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairments losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Rubicon Centre is leased with a remaining lease period to 31 July 2023. This is a business centre sublet to small businesses.

The Council leases multifunctional devices (MFDs) through a lease that commenced in 2018/19 for an initial period until 31 July 2023. The future minimum payments under non-cancellable operating leases in future years are set out below:

	2022/23 £000	2021/22 £000
Minimum lease rentals payable:		
No later than 1 year	38	43
Later than 1 year and no later than 5 years	0	10
Total	38	53

The Authority as a Lessor – Finance Leases

When the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Lease rentals receivable is apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of the rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

The written-off value of disposals is not a charge against Council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council has no finance leases.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports and community facilities
- For the economic development purposes to provide suitable affordable accommodation for small local businesses
- Any other purpose

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2022/23 £000	2021/22 £000
Minimum lease rentals payable:		
No later than 1 year	363	363
Later than 1 year and no later than 5 years	1,263	1,263
Later than 5 years	1,318	1,681
Total	2,944	3,307

E5. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The statements are prepared on a general principle of a going

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by the International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Revenue and Expenditure Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council has set a de minimus level for accruals of creditors and debtors that are calculated manually to avoid addition time and cost in estimating and recording accruals.

This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de minimus rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are high liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

with insignificant risk of change in value.

In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) Prior period adjustments and changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of the holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference for the two.

v) Council Tax and Non-Domestic Rates (England)

Billing Authorities act as agent, collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing Authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

vi) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holidays entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the either of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii) Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii) Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as other financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- In the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

ix) Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding interest repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial assets are classified into the following categories:

- Financial assets at amortised cost,
- Financial assets at fair value through other comprehensive income, and
- Financial assets at fair value through profit and loss.

The classification is determined by the cashflow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition.

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets to collect contractual cashflows and where the cashflows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to homeowners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore, does not hold accounting policies for these issues.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to twelve month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cashflows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cashflows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

x) Government Grants and Contributions

Where paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)

Heritage assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

xii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's good or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii) Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out in accordance with the CIPFA Code of Practice to determine a group relationship exists. Inclusion in the group is dependent upon the extent of the Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in the entity or representation on an entity's board of directors, and materiality. Accounts are prepared on a single entity basis with the Statement of Group Accounts representing the position for the Council and its subsidiary. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

xiv) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

inventories is assigned using the weighted average costing formula.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

xvi) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would influence the reader of the accounts. Notes are only included where items are material by value or nature.

xvii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance against the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows and structure)
- Vehicles, plant and equipment – straight-line over the useful life, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xx) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

xxi) Shared Services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner Authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within the Statement of Accounts.

When entering into share services, all capital assets that are purchased are financed by each Authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with business case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the business case and the Authority that gains the benefit is fully charged.

xxii) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £17.818m and a General Fund Balance of £8.924m.

The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements, each participant in the arrangement accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cashflows.

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material, the Group position is disclosed on the face of the applicable Core Statements. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20 May 2020, which ruled that Automated Teller Machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries, where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after 31 March 2020 but full provision was made in the provision for business rate appeals. The level of the 2017 rating list provision for appeals has contributed £3.453m. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list. Further information on these appeals is provided in **Note D6**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 40%.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore, does not hold any investment properties,

E7. Accounting Standards not yet adopted.

The Code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There is an amendment to IFRS 16 Leases. This standard was due to be implemented on 1 April 2020, but this has now been delayed until 1 April 2024.

IFRS 16 Leases – the amendment requires Local Authorities who are lessees to recognise leases on the Balance Sheet as right of use assets with a corresponding lease liability. As yet, the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

E8. Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E9. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Council have considered the materiality of the transactions from both the Council's and the related parties perspective.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B9**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2022/23 is shown in **Note B7**.

Many Redditch Borough Councillors are also County Councillors and / or elected members of the Parish Council.

In 2022/23, all members have completed a register of members' disclosable pecuniary interest.

Officers

There were no disclosures made by officers in 2022/23,

Entities Controlled or Significantly Influenced by the Authority

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it.

As part of the shared services with Bromsgrove District Council, Redditch paid £6.915m (£7.022m in 2021/22) for Bromsgrove hosted services and received £3.717m (£3.912m in 2021/22) for services hosted at Redditch.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.314m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove District and Wyre Forest for the provision of Building Control. Redditch paid £0.090m to Bromsgrove.

For the provision of Car Park services, the Council paid £0.070m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.108m to Worcester City Council.

The Council paid Bromsgrove District Council £0.618m for Worcestershire Regulatory Shared Service.

In total, the Council received £0.578m in 2022/23 from Worcestershire County Council for running the Early Help services.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E10. Events after the Balance Sheet date

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rates assets and liabilities in 2022/23 was £1,353,912.

E11. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent assets as at 31 March 2023.

E12. Contingent Liabilities

A contingent liability is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent liabilities as at 31 March 2023.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F1. Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2022/23 £000	2021/22 £000
Cash and Bank balances	15,620	26,709
Short Term Investments	0	0
Total	15,620	26,709

F2. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2022/23 £000	2021/22 £000
Depreciation	9,548	8,352
Impairment & downward valuations	3,289	24
Amortisation	240	0
(Increase)/Decrease in Debtors	32,195	(28,136)
Increase/(Decrease) in Creditors	(8,181)	32,461
Increase in Inventories	(1,643)	(267)
Movement in pension liability	4,489	3,790
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	2,872	4,450
Other items charged to the net surplus or deficit on provision of services	1,801	(151)
Total	44,610	20,524

F3. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing for financing activities.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(4,058)	(3,738)
Any other items	(1,596)	0
Total	(5,654)	(3,738)

F4. Investing Activities

	2022/23 £000	2021/22 £000
Purchase of PP&E, investment property and intangible assets	(10,697)	(10,716)
Purchase of Short Term Investments (not considered to be cash equivalents)	(52,383)	(20,897)
Proceeds from the sale of PP&E, investment property and intangible assets	4,058	0
Other Receipts from Investing Activities	0	3,738
Net Cash flows from Investing Activities	(59,022)	(27,875)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F5. Financing Activities

	2022/23 £000	2021/22 £000
Cash Receipts from Short and Long Term Borrowing	12,617	27,852
Other Receipts from Financing Activities	0	0
Repayment of Short and Long Term Borrowing	0	0
Net Cash flows from Financing Activities	12,617	27,852

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT

G1. Overview

	2022/23 £000	2021/22 £000
Expenditure		
Repairs & Maintenance	(5,973)	(5,879)
Supervision & Management	(7,250)	(7,263)
Rents, Rates, Taxes and other charges	(432)	(235)
Depreciation, impairments and revaluation losses of non-current assets	(5,846)	(5,893)
Debt Management Costs	(9)	(9)
Movement in the allowance for bad debts	(965)	(385)
Total Expenditure	(20,476)	(19,664)
Income		
Dwelling rents	24,089	23,253
Non-dwelling rents	502	533
Charges for services and facilities	609	530
Capitalisation of System Implementation Team	49	81
Contributions towards Expenditure	40	91
Other	25	26
Total Income	25,314	24,514
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	4,839	4,850
HRA Services Share of Corporate & Democratic Core	(693)	(674)
Net Expenditure of HRA Services	4,146	4,176
Gains/(loss) on sale of HRA Fixed Assets	400	848
Interest Payable and Similar Charges	(4,410)	(4,174)
HRA Interest and Investment Income	183	23
Net interest on the defined benefit liability (asset)	0	0
Capital Grants and Contributions	0	0
Surplus or (Deficit for Year) on HRA Services	319	873

HOUSING REVENUE ACCOUNT

G2. Movement on the HRA Statement

	2022/23 £000	2021/22 £000
Balance on the HRA at the end of the previous year	2,057	2,032
Surplus or (Deficit) on the HRA Income and Expenditure Statement	319	873
Adjustments between accounting basis and funding basis under statute	(1,185)	(1,857)
Net Increase or (Decrease) before transfers to or from reserves	(866)	(984)
Transfers (to)/from Reserves	785	1,009
Increase or (decrease) on the HRA for the year	(81)	25
Balance on the HRA at the end of the current year	1,976	2,057

	2022/23 £000	2021/22 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute		
Transfers to/from the Capital Adjustment Account	5,846	5,893
Gain or loss on sale of HRA non current assets	(400)	(848)
HRA Share of Contributions to or from the Pension Reserve	0	0
Transfers to/(from) Major Repairs Reserve	(5,846)	(5,893)
Transfers to/(from) Housing Repairs Account	0	0
Capital expenditure funded by the HRA	(785)	(1,009)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,185)	(1,857)

HOUSING REVENUE ACCOUNT

Transfers to/from Reserves

	2022/23 £000	2021/22 £000
Transfers (to)/from earmarked reserves	0	0
Transfers (to)/from Capital Grants Unapplied	0	0
Total Transfers	0	0

HOUSING REVENUE ACCOUNT

G3. Property, Plant and Equipment

	Council Dwellings	Operational Building	Vehicles, Plant and Equipment	Surplus Asset	Assets under construction	Intangible	Total PP&E
		£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance as at 1st April 2022	337,590	4,204	534	1,520	6,461	713	326,822
Adjustments re prior years	(6,750)	(114)	0	0	(6,461)	377	(12,948)
Adjusted opening balance	330,840	4,090	534	1,520	0	1,090	338,074
Additions	7,460	0	0	0	0	350	7,810
Revaluation increases/decreases to Revaluation Reserve	16,908	16	0	0	0	0	16,924
Derecognition - Disposals	(2,422)	0	0	0	0	0	(2,422)
Other movements	0	0	0	0	0	0	0
Balance as at 31st March 2023	352,786	4,106	534	1,520	0	1,440	360,386
Depreciation and Impairment							
Balance as at 1 April 2022	(12)	(15)	(609)	0	0	(17)	(637)
Adjustments re prior years	0	(15)	0	0	0	(52)	(67)
Adjusted opening balance	(12)	0	(609)	0	0	(69)	(690)
Depreciation Charge	(5,536)	(189)	(104)	0	0	(17)	(5,846)
Depreciation written out on Revaluation Reserve	5,536	189	0	0	0	0	5,725
Balance as at 31st March 2023	(12)	0	(713)	0	0	(86)	(811)
Net Book Value							
Balance as at 31st March 2023	352,774	4,106	(179)	1,520	0	1,354	359,575
Balance as at 31st March 2022	337,578	4,189	(75)	1,520	6,461	696	349,673

HOUSING REVENUE ACCOUNT

Prior year

	Council Dwellings	Operational Building	Vehicles, Plant and Equipment	Surplus Asset	Assets under construction	Intangible	Total PP&E
		£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance as at 1st April 2021	314,103	4,041	534	1,520	0	395	320,198
Adjustments re prior years	0	0	0	0	0	0	0
Adjusted opening balance	314,103	4,041	534	1,520	0	395	320,198
Additions	486	0	0	0	6,461	318	6,461
Revaluation increases/decreases to Revaluation Reserve	27,451	307	0	0	0	0	307
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	28	0	0	0	0	28
Derecognition - Disposals	(4,450)	0	0	0	0	0	0
Other movements	0	(171)	0	0	0	0	(171)
Balance as at 31st March 2022	337,590	4,204	534	1,520	6,461	713	326,822
Depreciation and Impairment							
Balance as at 1 April 2021	(12)	0	(505)	0	0	0	(517)
Adjustments re prior years	0	0	0	0	0	0	0
Adjusted opening balance	(12)	0	(505)	0	0	0	(517)
Depreciation Charge	0	(187)	(104)	0	0	(17)	(291)
Depreciation written out on Revaluation Reserve	0	171	0	0	0	0	171
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
Balance as at 31st March 2022	(12)	(15)	(609)	0	0	(17)	(637)
Net Book Value							
Balance as at 31st March 2022	337,578	4,189	(75)	1,520	6,461	696	349,673
Balance as at 31st March 2021	314,091	4,041	29	1,520	0	395	319,681

HOUSING REVENUE ACCOUNT

Dwellings within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly, the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out annually, valued at 1 April each year.

HOUSING REVENUE ACCOUNT

G4. Housing Stock

The number of dwellings in the Authority's housing stock as at 31 March 2023 totalled 5,565 properties. The types of properties are analysed below:

	2022/23	2021/22
	Number	Number
Property Type		
Flats and Maisonettes (Blocks up to and incl. 2 Storey)		
1 Bed	1,528	1,532
2 Bed	532	533
3 Bed	28	29
Sub-Total	2,088	2,094
Non Permanent	41	41
Sub-Total	41	41
Houses / Bungalows		
1 Bed	653	653
2 Bed	843	852
3 Bed	1,777	1,798
4 or More	163	165
Sub-Total	3,436	3,468
Total Dwellings 31 March	5,565	5,603

G5. Housing Revenue Account Capital Expenditure

	2022/23	2021/22
	£000	£000
Capital investment		
Operational assets	7,460	6,947
Intangible Assets	350	318
Revenue Expenditure funded from Capital under Statute		0
Totals	7,810	7,265
Sources of funding		
Borrowing	0	0
Capital Receipts	1,025	1,064
Major Repairs Reserve	6,000	5,192
Direct Revenue Financing	785	1,009
Totals	7,810	7,265

G6. Rent Arrears

During 2022/23, total rent arrears remained broadly the same. A summary of rent arrears and prepayments are shown in the following table:

	2022/23	2021/22
	£000	£000
Current Tenant Arrears	1,570	1,426
Former Tenant Arrears	479	542
Total Rent Arrears	2,049	1,968
Prepayments	0	(604)
Net Rent Arrears	2,049	1,364

The rent arrears and prepayments exclude supporting people balances.

HOUSING REVENUE ACCOUNT

G7. Depreciation and Impairment of Non-Current Assets

	2022/23		2021/22	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,536	0	5,592	0
Other Land and Buildings	189	0	180	0
Vehicles, Plant, Furniture and Equipment	104	0	104	0
Intangible Assets	17	0	17	0
Total	5,846	0	5,893	0

G8. Retirement Benefits

As part of terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Worcestershire Local Government Pension Fund administered by Worcestershire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

However, the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

HRA Income & Expenditure Account	2022/23 £000	2021/22 £000
Current Service Cost	0	0
Past Service Costs	0	0
Net interest expense	0	0
Total	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	0	0
Movement on Pension Reserve	0	0

Pension costs for the Housing Revenue Account are charged to the Council and recharged to the HRA.

G9. Total Capital Receipts Generated during the year.

	2022/23 £000	2021/22 £000
Land	0	0
Council Houses	2,871	5,394
Other Property	-	-
Sub Total	2,871	5,394
Disposal Costs	(49)	(96)
Total HRA capital receipts	2,822	5,298

COLLECTION FUND

COLLECTION FUND

H1. The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligations for billing Authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2023/24 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2022/23 can be spread over three years from 2023/24 to 2025/26.

2021/22			Collection Fund	2022/23		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(49,362)	(49,362)	Council Tax Receivable		(53,217)	(53,217)
(20,026)		(20,026)	Business Rates Receivable	(31,308)		(31,308)
(20,026)	(49,362)	(69,388)	Total amounts to be credited	(31,308)	(53,217)	(84,525)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
1,009		1,009	Central Government	297		297
504	117	621	Redditch Borough Council	238	180	417
1,237	616	1,853	Worcestershire County Council	53	970	1,024
28	41	69	Hereford and Worcestershire Fire and Rescue	6	66	72
	106	106	Police and Crime Commissioner for West Mercia		174	174
			Precepts, demands and shares			
16,722		16,722	Central Government	16,711		16,711
13,378	6,425	19,803	Redditch Borough Council	13,369	6,762	20,131
3,010	34,450	37,460	Worcestershire County Council	3,008	37,080	40,088
334	2,260	2,594	Hereford and Worcestershire Fire and Rescue	334	2,373	2,707
	5,917	5,917	Police and Crime Commissioner for West Mercia		6,628	6,628
			Charges to Collection Fund			
671	692	1,363	Increase/(decrease) in allowance for impairment	8		8
3,822		3,822	Increase/(decrease) in allowance for appeals	381	443	824
619		619	Transitional Protection Payments Payable	3,589		3,589
			Charges to General Fund	394		394
106		106	Charge to General Fund for allowable collection costs for non-domestic rates	104		104
41,440	50,624	92,064	Total amounts to be debited	38,492	54,675	93,167
21,414	1,262	22,676	(Surplus) /deficit arising during the year	7,184	1,459	8,642
(5,291)	(471)	(5,762)	(Surplus)/deficit b/f at 1 April	1,893	147	2,040
16,123	791	16,914	(Surplus)/deficit c/f at 31 March	9,076	1,606	10,683

COLLECTION FUND

H2. Council Tax Income

The amount of Council tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council tax payable for each band is established as follows (the actual amount payable for each property is also subject to discounts where applicable):

FOR THE YEAR ENDED 31ST MARCH 2023

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				20	11.60	5/9	6.44	141.19
A	Up to & including	40,000		7,788	4,581.70	6/9	3,054.47	169.43
B		40,001	- 52,000	12,055	9,411.20	7/9	7,319.82	197.67
C		52,001	- 68,000	7,821	6,810.40	8/9	6,053.69	225.91
D		68,001	- 88,000	4,406	4,022.50	9/9	4,022.50	254.15
E		88,001	- 120,000	3,382	3,190.80	11/9	3,899.87	310.63
F		120,001	- 160,000	1,260	1,205.80	13/9	1,741.71	367.11
G		160,001	- 320,000	468	448.10	15/9	746.83	423.58
H	More Than		320,001	19	19.00	18/9	38.00	508.30

Adjustment 0.99

Council tax base 26,546.63

FOR THE YEAR ENDED 31ST MARCH 2022

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21	11.80	5/9	6.56	138.42
A	Up to & including	40,000		7,727	4,554.90	6/9	3,036.60	166.10
B		40,001	- 52,000	12,057	9,345.20	7/9	7,268.49	193.78
C		52,001	- 68,000	7,836	6,795.20	8/9	6,040.18	221.47
D		68,001	- 88,000	4,386	3,993.70	9/9	3,993.70	249.15
E		88,001	- 120,000	3,388	3,196.00	11/9	3,906.22	304.52
F		120,001	- 160,000	1,259	1,201.20	13/9	1,735.07	359.88
G		160,001	- 320,000	465	442.80	15/9	738.00	415.25
H	More Than		320,001	19	18.00	18/9	36.00	498.30

Adjustment 0.98

Council tax base 26,225.58

The breakdown above is for Redditch Borough Council only. Below is the total payable for Band D equivalent for all preceptors:

2022/23	2021/22

COLLECTION FUND

	£	£
Redditch Borough Council	254.15	249.15
Worcestershire County Council	1,396.78	1,343.83
Police and Crime Commissioner for West Mercia	249.66	240.19
Hereford and Worcestershire Fire and Rescue	89.40	87.68
Total Council Tax for non parish areas	1,989.99	1,920.85
Parish Councils (Average)	40.05	27.23
Average Council Tax for the District in parish areas	2,030.04	1,948.08

H3. Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage, and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2022/23 the rate poundage was 51.2p (no change from 2021/22). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at **Note B6**.

The total rateable value at 31 March 2023 was £82,141,970 (2021/22 £82,141,970).

For 2022/23, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. Redditch Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Council's policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompass a number of elements.

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.

ANNUAL GOVERNANCE STATEMENT

- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers.
- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Financial management arrangements have been in place during the year through regular quarterly combined finance and performance monitoring reports, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. However, the new enterprise system which was implemented on 8 February 2021 has caused issues which have resulted in S24 Recommendations to be issued by the Council's External Auditors for non-delivery of Statement of Accounts. A financial recovery process is in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Governance and Standards Committee.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2022/23.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2022/23, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

Audit, Governance and Standards Committee

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

ANNUAL GOVERNANCE STATEMENT

Internal Audit

RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient, and effective use of resources.

During 2022/23 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement, projects, grants, and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits' work programme helps to assure Audit, Governance and Standards Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the RBC governance process

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Governance and Standards Committee for further scrutiny.

In relation to the cc reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that the Council in November 2023 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 to 2022/23 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. In respect of Governance Arrangements relating to the 2021/22 financial year:

- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding.
- Of the 6 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there were 10 in the report).
- There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.
- Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report

The 2021/22 and 2022/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:

- The 2020/21 to 2022/23 Account must be completed and Audited by the date of the next Audit report to ensure there is full confidence in the Council's finances.
- The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure

ANNUAL GOVERNANCE STATEMENT

that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities

- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members and Stakeholders is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, put out for public consultation, and the requirement for a final “audit report” to have been received, this set of accounts is the final stage in this process. 2020/21 and 2021/22 Accounts have been made public and put out to public consultation in early October 2024.
- The Council has put in place a Financial Recovery process to get accounts up to date. Following December 2024, this will be reviewed. Since Q1 2023 the Audit Standards and Governance Committee have met six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council’s accounts are up to date.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions. Wider consultation will be delivered in Q3 2024 for the 2025/26 budget.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment. This regime also includes how formal project monitoring is delivered.
- The Workforce Strategy is moving forward with monthly meetings reviewing the action plan and delivery against it.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 80.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed

Date

Signed

Date

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

INTERNAL AUDITORS' REPORT

INTERNAL AUDITORS' REPORT

Head of Internal Audit Opinion

Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2022/23 was a very challenging year regarding the control environment in certain areas of the Council. Remote working has continued since the pandemic. Turnover of staff for the Authority has remained high which has created its own challenges within certain Services including Finance. The loss of staff and experience impacted the Finance Team along with the continuing development of the new financial system. Coupled with a S24 Notice being given by External Audit it has resulted in a very challenging control environment. Potential risk in the core financial areas has remained due to the continuing development of a cash receipting module but there has been an improving position. Appropriate and proportionate remote access to files and systems remained in place and there is an understanding of the cyber risks that could impact the Authority. Risk Management has been relaunched and is starting to become more widely discussed and managed in the organisation and reported to the Audit, Governance and Standards Committee on a regular basis.

Overall Governance Conclusion

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2022/23 managed the principal risks in several areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2022/23 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation introduced some key risks into the financial areas of the Council. These are ongoing at present until the cash receipting module is fully developed and fit for purpose with reconciliations linked to this fully up to date. Development has continued during 2022/23 and the organisation is in a better position than it was. Audit reviews continue to highlight risk in certain financial areas, e.g. budget monitoring, reconciliations. Limited assurance was reported against Debtors and Main Ledger reflecting the ongoing risk that exists. Overall progress has been made to address the issues the new system introduced and 2022/23 has seen an improving position which is set to last as the cash receipting module continues through its development and testing cycle.

Risk Management Conclusion

The Head of Internal Audit can confirm the further development of the formal risk management system has progressed over the past twelve months under the direction of the S151 Officer with a view to achieving a better embedded approach for the future. This area had been relaunched on several occasions in recent years and has been a topic for corporate review for several years but over the last twelve months there has been more traction and improved reporting. Due to the development and reporting in this area during the past twelve months Audit have reported on progress. There has also been scrutiny from the Strategic Management Team and Committee. Further internal audit work is planned in 2023/24. Risk management has been present in some form in several Services, but it was not coordinated to allow for a joined-up view of risk from a corporate perspective. This is starting to change but there is further work to be done. There continues to be buy in from the whole of the management team and continuing progress will be monitored before Committee.

Audit Opinion

The internal audit of Redditch Borough Council's systems and operations during 2022/23 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 28 July 2022 and any subsequent revisions.

INTERNAL AUDITORS' REPORT

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. During 2022/23 the shared service conformed to CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan for 2022/2023 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement, fuel usage, projects, grants, gas compliance, asbestos and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems

The 2022/23 internal audit plan was revised due to changing circumstances and restrictions regarding resources. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 19 reviews were taken into consideration. Areas which returned a level of 'limited' were debtors and main ledger.

To mitigate risk a clear management action plan was formulated to address all issues identified across the plan. Comprehensive management action plans were agreed and the s151 Officer informed. There remains a clear understanding that further work is required to embed risk management throughout the organisation and to further development the cash receipting element of the financial system. This is set to continue under the direction of the s151 Officer.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. The financial system and budget monitoring was a key theme identified specifically in some of the returns which will be picked up directly with management including. No areas of significant risk have been identified in addition to those already identified during the year.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

There has been a wide spectrum of assurance applied to the reviewed areas during 2022/23. The implementation of the new finance system created risk hotspots which are being addressed. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the areas of the system where controls are in place and are operating effectively. Critical friend reviews are used to assist a Service area to move forward and provide support, guidance and an independent view when there is transformation happening. It is difficult to draw a comparison with the previous year results and corporate position as the reviews are not like for like apart from the core financial areas. An improvement has been seen for creditors but there remain challenges in other areas as already reported.

WAISS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide some assurance based on the audits performed in accordance with the plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
May 2023

GLOSSARY

GLOSSARY

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Extremely high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock).
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g., a community centre, or intangible, e.g., computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities, and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, based on an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

GLOSSARY

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average Council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Authority, i.e., it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

GLOSSARY

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

GLOSSARY

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

GLOSSARY

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used, or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period because of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or highly likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

GLOSSARY

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital.

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.

INTERNAL AUDIT PROGRESS REPORT 2024/25

Relevant Portfolio Holder	Cllr Ian Woodall
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, S151 Officer
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: chris.green@worcester.gov.uk Contact Tel: 07542 667712
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATION

- 1.1 **The Audit, Governance and Standards Committee notes the report.**

2. BACKGROUND

- 2.1 The purpose of this report is to provide an update of Internal Audit's progress towards meeting its objectives in the audit plan for 2024/25 as approved by the Audit and Governance Committee on 28th May 2024.
- 2.2 The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:
- The Council's assets and interests are safeguarded;
 - Reliable records are maintained;
 - Council policies, procedures and directives are adhered to; and
 - Services are delivered in an efficient, effective and economic manner

- 2.3 The Internal Audit plan for 2024/25 was approved by the Audit, Governance and Standards Committee on 28th May 2024. Progress against delivery of that plan is set out at Appendix A. The plan is on track to be delivered.
- 2.4 The Public Sector Internal Audit Standards require that any significant changes to the internal audit plan must be approved by the Audit Committee. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are no proposed amendments to the internal audit plan at this time.

3. Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

4. Legal Implications

- 4.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards (as amended) details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council's operations.

Climate Change Implications

- 5.2 There are no climate change implications arising from this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

6.1 There are no implications arising out of this report.

Operational Implications

6.2 There are no new operational implications arising from this report.

7. RISK MANAGEMENT

The main risks associated with the details included in this report are to:

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- Continuous provision of an internal audit service is not maintained.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Progress Report

Appendix 2 – Internal Audit Report Procurement & Contract Management

This page is intentionally left blank



INTERNAL AUDIT PROGRESS REPORT APPENDIX 1

Date: November 2024



1. Background

- 1.1 The Council is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2018.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit, Governance and Standards Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

2. Performance

2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 2 assignments are complete;
- 4 draft reports have been issued;
- 2 assignments are at the fieldwork completion stage and it is anticipated that reports for these will be issued by Christmas.
- 4 assignments are in progress;
- 3 assignments are at the planning stage; and
- 7 assignments have not yet been started.

- 2.2 Further to the update provided at the last Committee meeting, both Senior Auditors are settling into their roles. An appointment has been made to the vacant Auditor position, with the successful candidate due to start on 2nd December 2024. There was a case of long-term sickness absence in the team; the impacts of this have been managed through extension of an agency contract. From 2nd December 2024 the team will be fully resourced and there are adequate resources in place to deliver the Internal Audit Plan.



□

2.3 ***Performance Indicators***

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. Each individual member of staff has an agreed target to deliver 90% of their own work plan by the end of March each year. In addition, the following performance indicators have been established and the results will be included in the annual report for 2024/25:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on productive audit work	80%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

2.4 ***Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?***

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control, Governance and Risk Management framework for 2024/25.

2.5 ***Are clients progressing audit recommendations with appropriate urgency?***

At the time of writing there are 28 outstanding internal audit recommendations; however, none of these are currently overdue.



3. Internal audit opinions and prioritisation of recommendations

- 3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 1 – Assurance Categories

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:



Table 2 - Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.



4. Internal Audit delivery

- 4.1 At the time of report writing 181 productive days had been delivered against the full year plan of 328 days. Adequate resources are in place to deliver the plan.

Table 3 - Summary of Days Delivered for 2024/25

Summary of Audit Areas	Plan Budget	Days Delivered as at 15/11/2024
Core Financial Systems	78	58
Corporate Work	84	58
Other systems audits	140	48
Sub total	302	164
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	26	17
Sub total	26	17
Total Audit Days	328	181

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. This table will also summarise the findings of each of the audits as they are completed. The table is designed to assist members in building up a picture of the assurance being provided during the course of the year.

Table 4 – Summary of Internal Audit progress and findings, year to date

<u>Audit Area</u>	<u>Budget (Days)</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Accounts Payable	10	Draft Report issued	December 2024	TBC	
Council Tax	10	Draft Report issued	December 2024	TBC	
Benefits	15	Fieldwork Complete	December 2024	TBC	
NNDR	10	Fieldwork in Progress	December 2024	TBC	
General Ledger	15	Not Yet Started	March 2025		
Risk Management Embedding	10	Fieldwork Complete	December 2024	TBC	
Cyber & Data Security including Disaster Recovery	12	Not Yet Started	March 2025		
Workforce Planning	10	Not Yet Started	February 2025		Consultancy review, examining arrangements for delivery of the 82-point plan and comparison with other local authorities.
Procurement and Contract Management	10	Final Report issued	N/A – Final report issued	Limited	Results reported separately and in full at the December 2024 Committee meeting – see Appendix 1.
Insurance	15	Planning	February 2025		Including review of claims prevention & mgmt, and the strategic approach to minimising the costs of cover.

<u>Audit Area</u>	<u>Budget (Days)</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Constitution Compliance – Decision Making	12	Planning	February 2025		Assurance that decisions made by Officers are in accordance with the Constitution & Scheme of Delegation.
Business Continuity and Emergency Planning	12	Not Yet Started	March 2025		
Fraud Investigations and NFI	10	Work in Progress	N/A	N/A	
Statements of Internal Control	4	Not Yet Started	N/A	N/A	
Bus Operators' Grant	6	Completed	N/A – Work completed	N/A – Grant certification	
Statutory Inspections	12	Planning	January 2025		
Corporate Credit Cards including Petty Cash	15	Not Yet Started	February 2025		
Housing Revenue Account	12	Draft Report Issued	December 2024	TBC	
Right to Buy	7	Draft Report Issued	December 2024	TBC	
Housing Repairs	20	Fieldwork in Progress	January 2025		To include assurance that the new scheduling system is operating efficiently and effectively.
HR Processes	12	Not Yet Started	March 2025		
Follow up of Recommendations	15	Fieldwork in Progress	March 2025	TBC	



5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

This page is intentionally left blank

Worcestershire Internal Audit Shared Service



Internal Audit Report

Procurement 2024/25

13th November 2024

Distribution:

To: Peter Carpenter (Deputy Chief Executive, Section 151 Officer and Director of Resources)
Claire Felton (Head of Legal, Democratic and Property Services)

CC: Sue Hanley (Chief Executive)
Claire Green (Principle Solicitor, Deputy Monitoring Officer)
Carmen Young (Procurement Officer)



Appendix 2

Contents

1. Introduction.....	2
2 Audit Scope and objective	3
3 Audit Opinion and Executive Summary	3
4 Detailed Findings and Recommendations	5
5. Independence and Ethics:	6
APPENDIX A.....	7
APPENDIX B.....	8

1. Introduction

- 1.1 The audit of the Procurement system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council and for Bromsgrove District Council. The audit was a risk-based systems audit of the Procurement system as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 The objectives and scope of this review were agreed after discussions with service management. The findings and recommendations were discussed with the head of service and service management.
- 1.3 This review underpins all strategic purposes.
- 1.4 The following Service risks were relevant to this review:
- FIN4 – Fail to effectively manage high value procurements resulting in breach of EU procurement rules.
- 1.5.1 There is a potential for fraud by collusion, bribery, false provision of services and corruption.
- 1.6 This review was undertaken by Samuel Grove during the month(s) of June, July & August 2024.

Appendix 2

2 Audit Scope and objective

- 2.1 This objective of this audit was to follow up on the 2021/22 audit and provide assurance that procurement is in compliance across the authority prior to the implementation of new legislation.
- 2.2 The scope covered:
- Procurement Rule Compliance
 - There is an up-to-date contracts register.
- 2.3 This reviewed covered the period from April 2023 to March 2024.
- 2.4 This review did not cover procurement training or the new procurement legislation.

3 Audit Opinion and Executive Summary

- 3.1 From the audit work carried out we have given an opinion of **limited** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2 We have given an opinion of **limited** in this area because the councils are largely compliant with errors limited to specific service or process areas.
- 3.3 The review found the following areas of the system were working well:
- That there had been improvement upon the prior audits findings and procurement is actively working towards achieving compliance with procurement rules with improved processes.
 - General consistency on the correct application and understanding of procurement rules.
 - The contracts register was found to be up to date, transparent and relevant documentation held by appropriate parties.
 - Raising the key decision threshold and introduction of procurement pipeline with quarterly reporting has improved procurement transparency.

Appendix 2

3.4 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section Recommendation number	4
Deadline to Services Ongoing Learning/Compliance	High	1	
Retention of Documentation for Frameworks Precisely Meeting Service Requirements	Medium	2	

Appendix 2

4 Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Responses
Issues brought forward from previous audit					
Any matters arising from the prior audit report were covered in this audit.					
New matters arising					
3	H	<p>Deadline to Services Ongoing Learning/Compliance</p> <p>There are ongoing improvements among services, led by the procurement service, to ensure compliance with the procurement rules, this however has not yet been fully achieved. The process started in April 2023 and has been ongoing for 18 months at the time of the audit. Procurements have continued with the expectation that services will work towards being fully compliant, however service areas such as Garages and Environmental Services improvements have not yet reached fruition. No deadline or end date has been set by management.</p>	<p>Breach of procurement rules leading to scrutiny and potentially bringing into question values including:</p> <ul style="list-style-type: none"> - Fair Practise - Value for Money - Objectivity and Compliance <p>Risks Include:</p> <ul style="list-style-type: none"> - Reputational Damage - Public Concern and Adverse Media Coverage - Large workload developed for the procurement team by non-compliant services. 	<p>To establish a deadline for procurement compliance among improving services.</p>	<p>Management Response</p> <p>To set a deadline and brief CMT in relation to the expectations that this finding introduces.</p> <p>Implementation Date</p> <p>November 2024</p> <p>Responsible Officers</p> <p>Procurement Officer & Deputy Monitoring Officer</p>

Appendix 2

4	M	<p>Retention of Documentation for Frameworks Precisely Meeting Service Requirements</p> <p>Where a framework has precisely met the requirements of the procuring service there has been inconsistent retention of evaluation/scoring of the supplier in 5 cases out of 20, with a further 3 that the audit was not able to provide assurance over.</p>	<p>Inability to demonstrate compliance with the procurement rules leading to scrutiny and potentially bringing into question values including:</p> <ul style="list-style-type: none"> - Fair Practise - Value for Money - Objectivity and Compliance <p>Risks Include:</p> <ul style="list-style-type: none"> - Reputational Damage - Public Concern and Adverse Media Coverage 	<p>To reinforce procurement practises, generally in the retention of documentation but specifically in regards to frameworks.</p>	<p>Management Response</p> <p>Procurement rules & how to procure guides are to be updated to ensure that services are reminded to retain a brief or specification.</p> <p>Implementation Date</p> <p>November 2024</p> <p>Responsible Officer</p> <p>Procurement Officer</p>
---	---	---	--	---	---

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and are able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented in order to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Chris Green
Head of Internal Audit Shared Services

chris.green@worcester.gov.uk



APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Quarterly Risk Update Q2 2024/5**

Relevant Portfolio Holder	Cllr Ian Woodall Executive Member for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Director of Resources/Deputy Chief Executive Contact Pete Carpenter email: peter.carpenter@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Aspiration, work and financial independence
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY

This report sets out Council activity to identify, monitor and mitigate risk.

2. RECOMMENDATIONS

The Audit, Governance and Standards Committee is asked to consider:

- The present list of Corporate and Departmental Risks and request any additional risks to be considered.

3. KEY ISSUES**Background**

- 3.1 In 2018/19, an audit of Risk Management provided an assurance level of limited assurance due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.
- 3.2 A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given.

REDDITCH BOROUGH COUNCILAudit, Governance and Standards Committee 10th December 2024

- 3.3 This is now the ninth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we have seen:
- Departmental ownership of risks and reviews at Management Teams on a monthly basis.
 - Active review, mitigation, and reduction of risks – ensuring they become managed as part of business as usual.
 - Updating of the 4Risk System – as the Authorities repository of this information.
 - That the Officer Risk Group have actively reduced risk numbers through their work and that a common approach to risk is now being embedded within the organisation.
 - That the Risk Level has moved to a **Moderate Assurance** in May 2023.
 - A follow up Audit is taking place in the 2024/5 financial year.
- 3.4 As set out above, the Officer Risk Group contains representatives of all Council departments including: The Deputy Chief Executive, The Building Control Manager, The Human Resources and Development Manager, The ICT Operations Team Leader, The Exchequer Services Manager, The Business Development Manager (Property and Leisure), The CCTV and Telecare Services Manager, The Housing Tenancy & Advisory Manager, The Environmental Services Manager, The Housing Capital Programme and Contracts Manager.

The Definition of a Corporate Risk

- 3.4 The Council has existing Corporate and Departmental Risks. Members of the Risk Board were not sure of the link on how Risks on system had become Corporate in nature.
- 3.5 The following definition of a of how Risks move from being “departmental” to being “corporate” in nature was recommended by the Risk Group and approved by CMT.
- “For a **Risk** to move from being **Departmental** in nature to being **Corporate** in nature that it **must have significant impact on Councils finances, be cross departmental in nature and/or result in Serious reputational damage**. The Officer Risk Board will vet departmental risks using this definition to move then to Corporate Risks at their quarterly meetings.”
- 3.6 At the June 2022 Officer Risk Board it was agreed that “Green” Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place for them. This report takes account of this requirement being six meetings since the original baseline was reported.

Corporate Risks

- 3.7 Corporate Risks are summarised in the following table. There are no additions. The Risk around Election (COR26) has been removed as we have moved through both local and general elections through the summer. Both decisions made to Address Financial

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Pressures (COR10) and Resolution of the Approved Budget Position (COR17) have moved back to Amber given the statements from the Government over upcoming funding pressures. As requested by the Committee, further detail is included in relation to Towns Fund Projects.

Changes in Corporate Risks from Q3 2023/4 to Q2 2024/5 (rolling 4 Quarter view)

	Pos Q3	Pos Q4	Pos Q1	Pos Q2	Corporate Risk Description
Both	COR 9	COR 9	COR 9	COR 9	Non Compliance with Health and Safety Legislation
Both	COR 10	COR 10	COR 10	COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence
Both	COR 14	COR 14	COR 14	COR 14	Non adherence with Statutory Inspection Policy
Both	COR 15	COR 15			Impact from Changes to Partner Funding Arrangements
Both	COR 16	COR 16	COR 16	COR 16	Management of Contracts
Both	COR 17	COR 17	COR 17	COR 17	Resolution of the Approved Budget Position
Both	COR 18	COR 18	COR 18	COR 18	Protection from Cyber Attack
Both	COR 19	COR 19	COR19	COR19	Adequate Workforce Planning
Both	COR 20	COR 20	COR20	COR20	Financial Position Rectification
Both	COR 22	COR 22	COR22	COR22	Delivery of Towns Fund, UK SPF Initiatives
Both	COR 23	COR 23	COR23	COR23	Cost of Living Crisis
Both	COR 24	COR 24	COR24	COR24	New Customer Facing Interface
Both	COR25	COR25	COR 25	COR 25	Environment Bill
Both		COR26	COR26		General and Local Election

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Note, Appendix A sets out the complete listing of Departmental Risks. These have been linked to Corporate Risks where relevant.

3.8 **Mitigating factors for the Corporate Risks are:**

Non-Compliance of Health and Safety Data Standard Operating Procedures - SOP (H&S etc) Health and Safety Committee meets regularly H & S training for staff Health checks DSE assessment and reporting software First Aid training in place Safeguarding Policy and procedures Risk Assessments Updated inspection policy Regular review of policies Continued updates to Health and Safety Committee Data on intranet. The Council's Health & Safety arrangements are in the process of being audited externally and a report will be forthcoming.

There are 4 departmental risks linked to this corporate risk.

Projects being informed by robust data and evidence –

Executive have now approved an updated Project Management Process and extra resource, based on work initially highlighted by the Audit Task Group work in February 2023. However, given Government warnings over funding levels since the General Election in July, even for approved projects, this risk has been moved back to Amber pending the Chancellors Statement in October and the Provisional Local Government Settlement in December. We do have new structures in place, including the new Regeneration and Property Directorate, but project work will now be impacted by possible funding changes over the next quarter.

Non Adherence with the statutory inspection policy - Specialist resource in place to support delivery actions.

- Further review of monitoring arrangements
- Further implementation of insurance recommendations
- Contracts reviewed to ensure suppliers undertake roles
- Training plan developed to ensure staff clear of responsibilities
- Development of robust action plan

There are 11 departmental risks linked to this corporate risk. Should this not be delivered the consequences are significant, including threat to life.

Management of contracts - Procurement Strategy was updated by C Young and training provided. Service Protocols, setting out expectations of service user and procurement went live 1st Jan 23 and did NO PO NO PAY and both are being monitored. Reports are going to Executive quarterly setting out new requirements in terms of contracting and transparency for the upcoming year as part of the quarterly Finance and Performance Report. The changes to procurement legislation will now take place in February 2025 and processes will be updated accordingly. This remains a key Corporate Risk due to the

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

magnitude of contracts under management but has now moved to Green due to the mitigations in place, although a full review needs to take place in Q4 following the changes in legislation.

There are 5 departmental risks linked to this corporate risk.

Resolution of the approved budget position - MTFP process is now 2 stages and this was followed for both the 2023/4 and 2024/5 budgets. The final MTFP contains the S151 Officer's robustness statement which is key to sign off of a sustainable budget. The Council had a sustainable ongoing budget as part of the 2024/5 MTFP. Budget Scrutiny Working Group scrutinise proposals before Executive. Compared to neighbouring Councils and the opinion of our Bankers that we are in a comparatively strong position. However, we have increased the risk level to Amber due to the uncertainty of medium term Government support as reported in the press since the General Election.

Protection from cyber attack – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements. In addition, we have implementing KnowBe4, a new software tool for both officers and Members. There has also been a request in Redditch for Mandatory Cyber training for Members. Cyber Insurance has also been extended for a further year but importance and risks in this area have moved this risk to red despite all the mitigations in place. A recent Internal Audit has highlighted possible risk areas across a number of systems which will now require mitigating. More funding has been put in the 2024/5 and ongoing budgets to allow additional resources to help mitigate the risk. This is a nationwide issue.

There is 1 departmental risk linked to this corporate risk.

Adequate workforce planning - Workforce plan was launched in the summer of 2023 and services now know their high risk areas and working to the agreed action plan to help mitigate workforce risks such as loss of staff. The challenges remain on delivering to these high risk areas. There are specific workstreams, linked to Agile Working and Culture, within this initiative. The workforce plan is being integrated into the Councils wider management processes, with monthly board meetings. However more work is required before the Risk level can change.

There are 3 departmental risks linked to this corporate risk.

Financial position rectification – Audit Committee reports set out progress on the financial recovery process back to Executive, Audit & Council. Risk was up-rated to Red due to lack of clarity from the Government over Audit deadlines. An updated S24 Statement was issued in October 2023 and the Councils both hold significant risk in that they will run out of time for the 20/21, 21/22 and 2022/23 Audit processes.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

The Government, in September 2024 has set a backstop date of the 13th December 2024 for External Auditors to come to a view on accounts up to the 2022/23 financial year. This includes deliver of statements to the relevant accounting standards, having public inspection of the accounts, and receiving External Audit reports by this date.

The Council has changed its Audit Committee date to the 10th December, and 2020/21 and 2021/22 accounts have been delivered. It is expected that 2022/23 Accounts will be ready on the 28th November which will mean that only 11 of the required 30 day public consultation period will have been delivered by the 13th December.

Grant Thornton will give “disclaimer opinions” for all three years as per a letter received in August and reviewed by Audit Committees in September and October and their item on today’s agenda.

The draft 2023/4 Accounts are expected to be submitted for public review in late December. At this point in time the Councils will be up to date although Audits will still need to take place for 23/24 by the Council’s new Auditors Ernst and Young.

In December, the Council will be in a similar position to many other Councils in England – for which over 600 Audits up to 2022/3 remain outstanding

Delivery of Towns Fund, and UKSPF Projects –There is a monthly project Board overseeing all projects. Formal governance structures are in place for Towns Fund projects. The biggest issue in all these workstreams remains delivery before the funding deadlines and present cash flow show 1 projects out of the 3 projects not being able to deliver within present Grant Funding timescales..

With the creation of the new Regeneration and Property directorate in August and the transfer of functions back from NWeDR, the Council now has dedicated Project Managers, appointed during the summer, working on both sets of projects.

With the change in political direction in Redditch significant work is being undertaken to mitigate any loss in grant from the library not moving. It is understood that there will not be a similar extension of time after the 31st March 2026 for Towns Fund projects although this has been queries both with MHCLG Officials and through our new MP.

The DMIC is in initial design phase and this design has gone to planning for approval which is expected to be made in December. Internally we are challenging the delivery timescales and costs as well as moving forward with the functions being delivered within the building and talking to prospective partners. Work continues to get agreement on the reallocation of the library funds to other “approved projects.

Cost of Living Crisis - Housing Register Access to Housing Benefit and Universal Credit Council budget. We have also noted an increase in insurance claims due to fires which are linked to this. Our Partnership Boards guide people to alternate providers of support.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

We understand this impacts different stakeholder Groups in different ways and need ways of evaluating the impact on them and the Council's services.

New Customer facing interface - Presently delivered by several systems that are not linked together and require manual intervention for internal reporting. This has increased in risk to Red due to the volume of work required in relation to the ensuring the Council's data is up to date and can be used directly by our customers in self- service interfaces. A work stream is due to report back in Q2 of 24/5 that sets out data deficiencies and rectification routes. A data project has been set up to rectify these deficiencies. However, full resolution will be a medium term project.

The Environment Bill - New Statutory Requirements for delivery of a dedicated Food Waste Service, and changes to materials requiring collection by both Domestic & Commercial Waste Services. Financial impact on Councils to deliver new services. Primarily increased revenue costs on staff and vehicle operation and maintenance. Offset by Capital funding from Central Government to support assets related to "new burdens". Mitigation is partnership working with Worcestershire Waste Board and Members Task group to review requirements and future service delivery direction. Jointly funded partnership role by all Worcestershire LA's to support this work, alongside support from WRAP (Environmental NGO specialising in the Waste Industry). This is still Red due to potential **significant funding gaps** and non-receipt of final comprehensive legislation.

General and Local Elections - The General Election had the implications of significant policy and funding changes for the Local Government sector. This has now happened, and the Council are moving forward to deliver the requirements of the new Government. This risk can be closed off as its implications are now linked to other Corporate Risks.

We have raised in the past two other potential corporate risk. One is Terrorism Protection, where government guidance is just about to come out. The other is the financial position at Birmingham which we are already seeing the impact in terms of fly tipping on the Councils stakeholders and services.

Departmental Risks

- 3.9 The Council procured the 4Risk system to manage its risks. Risks are subdivided into Corporate Risks and then Departmental Risks. Each risk has an individual record applied to it to ensure all the pertinent information is captured.

The original Risk Baseline in April 2022 was (as shown in Appendix B):

- 119 Departmental Risks – 16 Red, 42 Amber, 61 Green
This reduced through the first set of reviews in June 2022 to:

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- 96 Departmental Risks – 3 Red, 36 Amber, 57 Green
The next set of reviews in September reduced this number further to
- 83 Departmental Risks – 4 Red, 26 Amber, 53 Green
The third Set of reviews in December reduced this number to
- 62 Departmental Risks – 1 Red, 27 Amber, 34 Green
The fourth Set of reviews in March reduced this number to
- 58 Departmental Risks – 1 Red, 31 Amber, 26 Green
The fifth set of reviews in June reduced this number to
- 51 Departmental Risks – 1 Red, 31 Amber, 19 Green
The sixth set of reviews in December reduced this number to 47.
- 47 Departmental Risks – 1 Red, 30 Amber, 16 Green
The seventh set of reviews in March 2024 increased this number to 49.
- 49 Departmental Risks – 2 Red, 32 Amber, 15 Green
The eighth set of reviews in June 2024 reduced this number to 47.

3.10 Position as at the 30th June 2024

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	5	4	10
Finance	0	2	1	3
Environmental Services	0	5	1	6
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	0	2
Planning Services	0	1	0	1
Housing	0	9	6	15
Community Services	0	1	2	3
HR	0	0	1	1
Total	1	29	17	47

Red Risks – 1 in total

REV18 - Revenues - Revenues Data Compliance

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****3.11 Position as at the 30th September 2024**

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	0	5	5	10
Finance	0	2	1	3
Environmental Services	0	5	1	6
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	0	2
Planning Services	0	1	0	1
Housing	0	10	5	15
Community Services	0	1	2	3
HR	0	0	1	1
Total	0	30	17	47

3.12 The table at Appendix A sets out the detail of these departmental Risks and links them where relevant to Corporate Risks. The table sets out the RAG rating for each of these risks for the Quarters Quarters 3-4 2023/24 and Quarters 1-2 2024/25. Those risks that have been mitigated have a “black” colour in the quarter that stopped becoming a Departmental Risk. Risks ENV11 and COM 16 have been mitigated in this way and have come off the departmental registers.

The Red Risk REV7 - Revenues - Performance Indicator data has now been partially mitigated and becomes and Amber Risk. The risk Revenues Data Compliance (REV 18) remains a Red Risk.

WRS risks, as per their Board Pack for June 2024 are attached at Appendix C.

3.13 The number of risks is the same, but there are now no Red Risks but higher numbers of Amber risks.

3.14 This report sets out the position a year following the initial baselining of council risks. This is the ninth review, following the implementation of the Action Plan due to the “No Assurance” internal Audit reports. The key point a year in is to ensure that risk management is embedded within the organisations:

- Officer Risk Board continues to take place quarterly to embed processes and validate Risks on the register.
- Each department has nominated a representative to a Risk Board. These report back to management teams who ensure Departmental Risk Registers are updated at least quarterly and discussed at management teams monthly.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- The Audit Committees of both Councils reviewed Risk Registers on a quarterly basis. These reports have also been presented to Executive although this has stopped after June 2023 as this should be a function of the Audit Committees.
- CMT are updated on risk management issues in their monthly “assurance” meeting, which is a week after the Risk Board meets on a quarterly basis.
- The Corporate Risk Register is now discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee, as per the Audit Task Group’s recommendation.
- The Risk Level has moved from a Limited Assurance in March 2022 to a Moderate Assurance in May 2023.

In terms of the departmental lists:

- 3.15 It should be noted that a significant number of departmental risks are linked to regulation, and this feeds through to the corporate risks. If we fail on one of these major compliance issues the impact on the Council and its stakeholders can be significant.
- 3.16 Community risks, even though many are green, are still all relevant as departmental and cannot be moved to the lower level of “business as usual” as these link to fixed term contracts. The most significant risk is now the Safeguarding Risk which affects all service areas and there are action plans that need to be followed. There is a potential new risk in regard to Lifeline “cyber essentials” compliance to ensure the Council does not lose its accreditation. This will probably move to being a formal risk in the Q3 report.
- 3.17 The majority of Housing risks are compliance and/or Health and Safety led. We noted earlier in the year the issues in relation to “disrepair” claims (60), fires in premises, which has increased significantly over the past 2 years, and due to cost of living, the volume of tenants who now have no Council contents insurance (see the later insurance section). The volume of these disrepair claims are going down however it should be noted that as disrepair is linked to workmanship it is non insurable for the Council. There is still significant work being undertaken at St Davids. In terms of Homelessness (HOU7) there are processes in place now to start to add additional housing capacity, but this will take time. Fire remedial work (Hou22) is moving well with the regulator happy with progress.
- 3.18 Overall, to give a better Housing service, the Council is implementing Total Mobile to ensure more efficient delivery. This links to a number of the Housing items.
- 3.19 It should be noted that with Gas Safety Inspections (HOU14) we also need the tenants, agreement to do the works and a month’s notice is generally given. Damp and Mould work (HOU28) might move to Amber as timescales are required to mitigate the risk of the Council receiving financial penalties and the residents having the work.
- 3.20 There is a new risk in finance linked to staff non-compliance of procurement processes. This will be mitigated by additional training. It should be noted, that to provide more

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

financial support to managers (FIN1) courses are being devised to improve budget manager skills and their understanding of how best to effectively use TechOne.

- 3.21 The Building Control risk will become more focused towards the end of the financial year as if Building Control staff are not accredited, we cannot use them. This will also possibly limit the number of staff available in the agency market. Existing staff are presently undertaking accreditation exams in order to mitigate the issue.
- 3.22 Given the significant cyber risks faced by Council's, as noted in the Corporate Risks section, it is important Members and Officers engage to mitigate this risk. Using KnowBe4 functionality is assisting and the associated penetration tests is assisting in mitigating this risk for both Members and Staff. As noted earlier, the Council have successfully renewed their cyber insurance policy. It should be noted that ICT7 is dependent on departments ensuring they are compliant in regards to their ICT requirements
- 3.23 With Property, the biggest risk we face in the future is the new works in the Town Hall. We are reviewing all our assets as there is a significant impact on EPC (Energy) ratings and what will be allowable after 2026. This could have significant cost impacts for the Council. Given a New Assistant Director of Regeneration and Property begins in August there will be a full review of all risk and issues linked to these areas and this will feed through to the Q3 Risk Report.

Insurance

- 3.24 We have successfully renewed our Cyber insurance. It seems that the markets have settled down following the issues we had in renewing in 2022 and the premium has only increased marginally.
- 3.25 The Council are in their final year of the present insurance contracts. The Council is now running a year after other Worcestershire Councils who are renewing in this financial year. As such, the Council is just renewing/extending its contracts for a single year. An issue remains Property information. Insurers are now requesting significantly more detail and it will take 12 months to get data to the required standard. This issue does highlight a deficiency in property data capture – which links to the Corporate Customer Risk linked to data.
- 3.26 The increases in fires seen in recent reports have reduced as have Damp/Mould claims and it should be noted that we have the lowest claims levels across Worcestershire for Parks and Open.
- 3.24 In assessing renewal data we have seen a large reduction in trips/slips, although this could be due to more of the population working from home and potholes is not the issue in Redditch that it is in other areas.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

3.27 It is important when fighting claims that we maintain the correct records and the new CIVICA Housing system will help with this.

Our insurers are highlighting 2 major risks for the sector:

- Under-Insurance of Council assets due to incomplete assets. Insurers are now starting to intimate that they will only insure to a certain level and not the full value if the data is not fully updated.

The use of Artificial Intelligence – as it is not clear on what decisions are being made with this data and what the risks implications are because of this

The Risk Management Framework

3.28 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by over 50% although Corporate Risks have increased by 20%. There is the requirement for Corporate Risk training (Members and Officers) and existing processes need further embedded in the organisations to increase assurance. This will be organised once both Council's Corporate Strategies have been finalised.

4. Legal Implications

4.1 No Legal implications have been identified.

5. Financial Implications

5.1 The Council spend significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

6. Strategic Purpose Implications**Relevant Strategic Purpose**

6.1 A comprehensive Risk Management approach ensures **Risk and its Consequences** is minimised for the Council.

Climate Change Implications

6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

7. Other Implications**Customer / Equalities and Diversity Implications**

7.1 If risks are not mitigated it can lead to events that have Customer/Equalities and Diversity implications for the Council.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Operational Implications**

- 7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.

8. RISK MANAGEMENT

- 8.1 This report is about Risk Management, its quantification and mitigation across Council services.
- 8.2 These risks are monitored, reported and mitigated through the processes and officers set out within this report.

9. APPENDENCES

- Appendix A – Present Departmental Risks
Appendix B – Previous Risk Management Reports
Appendix B – WRS Risk Report

AUTHOR OF REPORT

Name: Pete Carpenter– Director of Resources/Deputy Chief Executive
E Mail: Peter.Carpenter@bromsgroveandredditchbc.gov.uk

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix A - Present Departmental Risks**

Council	Q3	Q4	Q1	Q2	Risk Description	Corp Risk
Both	BEN 1	BEN 1	BEN 1	BEN 1	Fail to effectively resource the service to meet demand	COR 9
Both	BEN 3	BEN 3	BEN 3	BEN 3	Impact of Welfare Reform Act	
Both	BEN 6	BEN 6	BEN 6	BEN 6	Impact of ELF scheme	
Both	BEN 7	BEN 7	BEN 7	BEN 7	Benefits subsidy	
Both	CUS 3				Failure to deal with complaints to customers satisfaction	
Both	CUS 7	CUS 7	CUS 7	CUS 7	RBC/BDC Fail to ensure the adequate security arrangements for Customer Service Centres	COR 9
Both	REV 4	REV 4	REV 4	REV 4	Failure to effectively manage change	
Both	REV 7	REV 7	REV 7	REV 7	Performance Information data is not robust	
Both	REV 11	REV 11	REV 11	REV 11	Reduced collection rates	
Both	REV 16				Maintenance and Recovery of Collection Performance Post Covid	
Both	REV 17	REV 17	REV 17	REV 17	Failure of corporate Fraud and Compliance team	
Both		Rev18	REV 18	REV 18	Data Compliance	COR24
Both	FIN 1	FIN 1	FIN 1	FIN 1	Fail to provide adequate support to managers to manage their budgets	COR10
Both		FIN4	FIN 4	FIN 4	Fail to effectively manage high value procurements resulting	COR16

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

					in breach of EU procurement rules.	
Both		FIN7	FIN 7	FIN 7	Purchasing Non Compliance	COR16
Both	ENV 7	ENV 7	ENV 7	ENV 7	Fail to adequately maintain and manage car parking and On Street enforcement	
Both	ENV 9	ENV 9	ENV 9	ENV 9	Avoidable damage to fleet arising from staff behaviour and none compliance	
Both	ENV 10	ENV 10	ENV 10	ENV 10	Fail to ensure adequate Health & Safety across the service	COR 9
Both	ENV 11	ENV 11			Fail to engage with the WCC regarding land associated with highway maintenance	
Both	ENV 20	ENV 20	ENV 20	ENV 20	Workforce planning	COR19
Both	ENV22	ENV 22	ENV 22	ENV 22	PDMS - New Environmental database	
Both		ENV 26	ENV 26	ENV 26	Environmental Enforcement	
Both	L&C 2	L&C 2	L&C 2	L&C 2	Fail to ensure the health & safety of the Public / Staff and visitors using services (meeting regulatory requirements)	COR 9
Both	LED 9	LED 9	LED 9	LED 9	Failure to ensure that Council Owned buildings, Property Assets and Facilities remain fit for purpose now and for the future.	
Both	LED 10	LED 10	LED 10	LED 10	Fail to optimise the income from Commercial properties	
Both	LED 11	LED 11	LED 11	LED 11	Fail to effectively manage property assets	
Both	LED 12	LED 12	LED 12	LED 12	Fail to effectively manage the disposal of assets as part of asset disposal programme	

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Both	LED 13	LED 13	LED 13	LED 13	Bromsgrove Leisure Contract	COR16
Both	ICT 7	ICT 7	ICT 7	ICT 7	Failure to identify, maintain and test adequate disaster recovery arrangements	COR18
Both	ICT 15	ICT 15	ICT 15	ICT 15	Members and Data protection Training	
Both	PLA 11	PLA 11	PLA 11	PLA 11	Loss of effective Building Control service due to changes in legislation / Hackett / Grenfell	COR19
Red	HOU 2	HOU 2	HOU 2	HOU 2	Fail to effectively manage housing repairs and maintenance	COR14
Both	HOU 7	HOU 7	HOU 7	HOU 7	Fail to manage impact of increasing homelessness cases and Recruitment challenges	COR19
Red	HOU 8	HOU 8	HOU 8	HOU 8	Inability to collect rent and rent arrears	
Red	HOU 9	HOU 9	HOU 9	HOU 9	Fail to effectively management leaseholder properties	
Both	HOU 10	HOU 10	HOU 10	HOU 10	Fail to effectively manage capital projects (also the right contracts are put in place, internal and external)	
Red	HOU 11	HOU 11	HOU 11	HOU 11	Potential for an increase in right buys	
Red	HOU 12	HOU 12	HOU 12	HOU 12	Failure to Achieve CQC Compliance at St Davids House	COR14
Both	HOU 14	HOU 14	HOU 14	HOU 14	Failure to complete annual gas Safety Inspections	COR14
Red	HOU 15	HOU 15	HOU 15	HOU 15	Risk of legionella in housing with communal facilities	COR14
Red	HOU 16	HOU 16	HOU 16	HOU 16	Housing Revenue Account	

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

Both	HOU 19	HOU 19	HOU 19	HOU 19	Failure to comply with Charter for Social Housing and the Regulator	COR14
Both	HOU 21	HOU 21	HOU 21	HOU 21	Non-compliance with Asbestos Regulations	COR14
Both	HOU 22	HOU 22	HOU 22	HOU 22	Non-compliance with Regulatory Reform (Fire Safety) Order 2005 - Blocks of flats and communal entrances	COR14
Both	HOU 27	HOU 27	HOU 27	HOU 27	Failure to comply with IEE regulations	COR14
Both	HOU 28	HOU 28	HOU 28	HOU 28	Damp and Mould In Council Housing	COR14
Both	COM 3	COM 3	COM 3	COM 3	Safeguarding - Inadequate child and adult protection systems/process.	COR14
Red	COM 16	COM 16			Lifeline - Impact of the telephony network digital upgrade on the service	
Both	COM 17	COM 17	COM 17	COM 17	Starting Well Partnership – underperformance of contract	COR16
Both	COM 18	COM 18	COM 18	COM 18	Social Prescribing – underperformance of contract	COR16
Both	HR 2	HR 2	HR 2	HR 2	Fail to monitor and respond to changes in employment legislation	COR14

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix B - Previous Quarters Risk Reports**

The baseline risks April 2022 are included in the following table – this is prior to any Risk Board meetings.

Original Baseline April 2022

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	12	20	13	45
Finance	0	0	4	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities and Democratic Services	0	0	7	7
ICT	2	4	5	11
Planning Services	0	1	1	2
Housing	1	11	11	23
Community Services	1	1	5	7
HR	0	0	1	1
Total	16	42	61	119

After the Risk Board on the 22nd June, the following changes have been made which saw the number of risks reduce as follows to 96 Risks

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	0	6	12	18
Finance	0	2	2	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities, Democratic Services & Property	0	3	9	12
ICT	2	6	2	10
Planning Services	0	2	1	3
Housing	1	10	10	21
Community Services	0	2	6	8
HR	0	0	1	1
Total	3	36	57	96

The departmental red risks are:

- REV7 - Revenues - Performance Indicator data is not robust

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

- ICT 7 - Failure to identify, maintain and test adequate disaster recovery arrangements
- ICT 11 - System functionality to manage records

After the Risk Board on the 21st September, the following changes have been made which saw the number of risks reduce as follows to 83 Risks

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	5	13	19
Finance	0	2	2	4
Environmental Services	0	1	11	12
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	1	9	10
ICT	2	4	4	10
Planning Services	0	1	0	1
Housing	1	9	7	17
Community Services	0	2	6	8
HR	0	0	1	1
Total	4	26	53	83

Red Departmental Risks were:

- REV7 - Revenues - Performance Indicator data is not robust.
- ICT7 - IT - Failure to identify, maintain and test adequate disaster recovery arrangements.
- ICT11 - IT – System functionality to manage records.
- Hou26 - Housing – Failure to deliver a service to QCQ requirements at St David's House.

After the Risk Board in December, the number reduced to 62.

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	5	10	16
Finance	0	2	2	4
Environmental Services	0	5	3	8
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	1	5	6
ICT	0	2	2	4
Planning Services	0	1	0	1
Housing	0	9	6	15
Community Services	0	1	5	6
HR	0	0	1	1
Total	1	27	34	62

Red Risks – 1 in total

- REV7 - Revenues - Performance Indicator data is not robust

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

After the Risk Board on the 22nd March, the following changes have been made reducing the overall number of departmental risks to 58.

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	6	9	16
Finance	0	2	0	2
Environmental Services	0	5	3	8
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	1	3
Planning Services	0	1	0	1
Housing	0	10	5	15
Community Services	0	1	5	6
HR	0	0	1	1
Total	1	31	26	58

-
- **Red Risks – 1 in total**
- REV7 - Revenues - Performance Indicator data is not robust

Position as at 30th September 2023

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	6	6	13
Finance	0	1	1	2
Environmental Services	0	5	1	6
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	1	3
Planning Services	0	1	0	1
Housing	0	10	5	15
Community Services	0	1	3	4
HR	0	0	1	1
Total	1	30	20	51

Red Risks – 1 in total

REV7 - Revenues - Performance Indicator data is not robust

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**Position as at the 31st December 2023

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	6	4	11
Finance	0	1	0	1
Environmental Services	0	5	1	6
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	0	2
Planning Services	0	1	0	1
Housing	0	10	5	15
Community Services	0	1	3	4
HR	0	0	1	1
Total	1	30	16	47

Red Risks – 1 in total

REV7 - Revenues - Performance Indicator data is not robust

Position as at the 31st March 2024

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	2	5	3	10
Finance	0	2	1	3
Environmental Services	0	6	1	7
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	0	2
Planning Services	0	1	0	1
Housing	0	10	5	15
Community Services	0	2	2	4
HR	0	0	1	1
Total	2	32	15	49

Red Risks – 2 in total

REV7 - Revenues - Performance Indicator data is not robust. The risk Revenues Data Compliance has been added and is also Red.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024****Appendix C - Worcester Regulatory Services Risks**

Risk Description	Consequences	When is this likely to happen	Current Position			Control measures
			Likelihood	Impact	Matrix RAG Status	
Loss of Data through IT failures	Disruption to Service Provision. Inability to produce records and data.	On-going	Low	High	Green	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service moved to Office 365 during 2021/22, which provides better access to a range of provisions including Microsoft Teams and Power BI.
Issues with the WRS database system	Impact on work planning. Self-help may not enable savings required	On-going	Low	High	Amber	Current contract due to be re-negotiated in February 2023. Work has commenced on negotiating new contract. The cost of moving systems is prohibitive currently and, whilst the system has its faults, it provides the necessary functionality and will allow the enablement of data transfer from electronic forms.
Effective and efficient Business Continuity arrangements in place	Disruption to service if e.g., Major Power failures or other reasons that access to Wyre Forest House is not possible.	On-going	Very Low	Medium	Amber	The pandemic has shown that we were well prepared for the need to maximise working from home and now all staff, including some previously regarded as office based can do this. Touchdown stations remain available in partner council locations. WRS Managers do need to redraft contingency plans in the event of a prolonged IT failure or cyber-attack that will allow services to be maintained.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or Unable to recruit or retain suitably qualified staff.	On-going	Low	Medium	Amber	The pandemic response has shown that the service was well-placed to respond to what was required.. Consultants are available to provide short term cover and, whilst this worked well in peacetime to cover peak demand periods, the pandemic has revealed the limits to this type of capacity. These pressures will only be resolved in the longer term by local and central government investing in additional capacity

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th December 2024**

						<p>and additional training to bring more people into the regulatory professions.</p> <p>Having taken on contracts with additional authorities the demand has increased, and neighbouring authorities have lost the ability to assist with some technical specialisms. This is the double-edged sword of effectively operating as a centre of excellence.</p> <p>Whilst we have good resource of our own, in event of an issue, there are limits to who we can ask for help.</p> <p>Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.</p> <p>Effective training and development processes are in place to ensure recruitment and retention of staff.</p> <p>There is increased training budget pressure, reduced technical knowledge in neighbouring authorities and increased importance in maintaining heightened skills for contractual obligations and commercial edge.</p> <p>Regular inventory and maintenance of equipment is undertaken. In the future, budget for replace may be an issue but would be a relatively small amount for partners to share.</p>
Pest contractors cease operations.	Disruption to service. Negative media coverage. Increased public health risks	On-going	Low	High	Green	The Pest control framework contract has multiple pest control suppliers so the loss of one allows work to be moved to the others. This should limit or eliminate risk, although the unlikely loss of multiple companies might create capacity issues.
Effective and efficient contract arrangement for dog control	Disruption to service if no kennels available. Negative media coverage. Increased public health risks	On-going	Low	High	Amber	The Out of Hours and Kennelling contracts were re-tendered to enhance the existing arrangements and provide resilience however there are increases in numbers of stray dogs, dog disease and contracts are restricted by geographical location. Retendering for additional kennels remains difficult and consideration may be given to creating our own capacity.

Hosting support does not deliver necessary financial and HR support to ensure efficient management	Efficiency of management reduced; staffing issues remain unaddressed, and performance suffers	On-going	Low	High	Amber	Issues with the new BDC finance system have mainly been resolved, however some workarounds remain in place due to some unforeseen issues.
One or more partners continue to be under great financial pressure and may consider alternatives to the partnership to deliver their service	Creates reputational issues for remaining partners and increases the need to manage overheads. Difficulties in delivering highly varied levels of service	On-going	Medium	High	Amber	New legal agreement limits variations in contribution before partners must move to contractual relationship but this is quite high before it kicks in (20%.) Leanness of organisation minimises overheads and focuses resource at the front line. Growth strategy should generate income to support partners in the future but there are limits to this without additional capacity being added to the system. Invest to save capacity has been committed by partners to see if this achieves the necessary outcomes but even this is now fully occupied.
Robust arrangements in place in relation to obtaining legal advice and monitoring legislative changes.	Loss of cases is costly and damages reputation.	On-going	Low	Medium	Green	Continued close working with BDC legal team and other partners who don't use BDC for advocacy. Technical and legal training days for staff. Difficulty in keeping informed of Case Law developments. Membership and attendance of Officer Technical Groups outside the County does assist.
Service provision complies with Government requirements, New performance regimes are introduced that the service is not staffed to address	Intervention by Government bodies Other national bodies seek to introduce similar frameworks to the FSA Code to get what they regard as suitable minimum levels of service. We understand that Government is asking its central competent bodies to ensure that regulatory regimes are fit for purpose and do not pose a risk to UK exports post BREXIT as the UK no longer has the cover of the EU taking on this role. This may make new codes or performance	On-going	Low	High	Amber	Limited detail of what is required for statutory minima can make decision making difficult around what is required in law as a minimum. The LGA is clearly aware of impact of budget reductions on regulation and has made it clear Government cannot expect what it had previously. Fewer interventions/ audits by government. The Service has developed systems that follow the principles of the requirements of bodies like FSA so can show some level of compliance, but service isn't operating to the letter of the current Code. This has been noted by the Agency and they are now seeking to drive all authorities back into line with the Code, with the threat of ministerial direction if required. The

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 10th December 2024**

	frameworks in areas outside of food law more likely. NB: Food Standards Agency is addressed below.					major changes envisaged for the Code have been delayed until 2027. And whilst this change is likely to move closer to the WRS model of operation, it is unlikely to wholly embrace the intelligence-led approach. See below for specific risk. Environmental reporting for Local Air Quality Management, Pollution Prevention and Control and Private Water Supply Inspection reports to Defra and DWI have received positive responses with no issues of concern raised by these bodies.
Compliance with Food Code of Practice	Adverse comments following audits. FSA, can seek ministerial direction to make LAs comply with its Code of Practice	On-going	High	High	Amber/Red	This is a subset of the section above line as FSA is the only body currently with a statutory code that LAs must have significant regard to, plus it has the power to apply for Ministerial Orders to force LAs to comply with the letter of the Code. Until recently the Agency appears to have been happy to allow LAs to experiment as long as they abide by the spirit of the code and resource the function at a reasonable level. It has now changed tack and is seeking to push local authorities to operate much more closely to the letter of the code in an effort to create additional resource. A paper went to the FSA Board at the end of 2023, expressing concern about resourcing levels in both Env Health and Trading Standards resulting in a public call for local and central government to work together to remedy this. The partners are looking to make a significant investment in resources to address most of the Agency's concerns, but it will not allow full compliance with the Code. Having said this, there is limited risk in the variations that will remain in place and full compliance with the code would require a full redesign of operations within Community EH and further financial investment.
Failure to deliver external contract work at the level expected by the business or local authority with whom we have the contract	Damage to reputation, loss of future income streams, financial impact of paying damages	On-going	Low	High	Green	Ensure contract negotiations are clear on performance criteria and these are clearly recorded in the final documentation. Monthly reviews against performance criteria. Select staff to ensure competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action
Failure to successfully transition the Planning and Environment Enforcement functions to WRS	Damage to reputation, or enforcement cases	April to September 2024	Medium	Medium	Amber	Appropriate contract negotiations will set out the service level agreement (update to the Statement of Partner Requirements) and early recruitment will assist with reducing the risk of a successful transfer of service areas.

Financial Savings Monitoring Report Q2

Relevant Portfolio Holder		Cllr Ian Woodall Executive Member for Finance
Portfolio Holder Consulted		Yes
Relevant Head of Service		Debra Goodall
Report Author	Job Title: Head of Finance & Customer Services Contact email: debra.goodall@bromsgroveandredditch.gov.uk Contact Tel:	
Wards Affected		All
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		All
Key Decision / Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee RECOMMEND that:

- 1) The Q2 position on the 2024/25 Departmental Savings Programme be noted, including any potential implications for future years.**

2. BACKGROUND

- 2.1 As part of the 2024/25 budget, which was agreed at Council in February 2024, there were a number of savings options approved through the two-tranche process to deliver the balanced budget for the year. Savings from both tranches of the budget process have been combined in **Appendix A**. To these those 2023/4 savings items relating to future years have been added.
- 2.2 Additionally, an Improvement Recommendation in the Interim Auditors Annual Report on Redditch Borough Council 2021/22 and 2022/23 was that “savings delivery is monitored independently of basic budget monitoring at a corporate level”. As such savings monitoring will be part of the Audit, Governance and Standards Committee on a quarterly basis. This was delivered in the 2023/4 financial year and this is the first report of the 2024/5 year.
- 2.3 The Quarter 1 2024/25 Finance and Performance Monitoring report was reviewed by Executive in September 2024.
- 2.4 The Quarter 1 position was a £164k overspend. The £10.8m full year revenue budget included in the table below is the budget that was approved by Council in February 2024.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****10th Dec 2024**

2.5 The Q2 position has been reported to Executive on the 26th November. That report sets out that the overspend position has increased to a £344k overspend position. This is summarised in the following table:

Service Description	2024-25 Approved Budget	2024-25 Approved Q2 Budget	Q2 Adjusted Spend	Q2 Budget Variance	Full Year Forecast	Full Year Budget Variance
Business Transformation and Organisational Development	1,781,837	890,919	984,841	93,922	1,839,423	57,585
Community and Housing GF Services	1,742,562	871,281	322,468	-548,813	1,842,163	99,602
Corporate Services	-1,996,267	-998,133	635,306	1,633,440	-2,311,897	-315,630
Environmental Services	2,701,088	1,350,544	-1,108,364	-2,458,908	3,655,772	954,684
Financial and Customer Services	2,067,408	1,033,704	-2,913,266	-3,946,970	3,101,558	1,034,150
Legal, Democratic and Property Services	2,098,369	1,049,184	1,055,074	5,889	2,214,387	116,018
Planning, Regeneration and Leisure Services	1,067,182	533,591	384,485	-149,106	1,285,519	218,338
Regulatory Client	562,038	281,019	229,148	-51,871	682,095	120,057
Rubicon Client	777,747	388,873	748,239	359,366	777,747	0
Starting Well	0	0	47,887	47,887	65,531	65,531
Grand Total	10,801,965	5,400,982	385,818	-5,015,164	13,152,298	2,350,333

Service Description	2024-25 Approved Budget	2024-25 Approved Q2 Budget	Q2 Adjusted Spend	Q2 Budget Variance	Full Year Forecast	Full Year Budget Variance
Corporate Financing	-10,830,965	-5,415,483	-3,938,521	1,476,961	-12,882,038	-2,051,073
Grand Total	-10,830,965	-5,415,483	-3,938,521	1,476,961	-12,882,038	-2,051,073
TOTALS	-29,000	-14,500	-3,552,703	-3,538,203	270,260	299,260

2.5 Overall, the Council is currently forecasting a full year revenue overspend of £299k at Quarter 2. This is mainly due to the additional fleet costs described below and also the pay award yet to be ratified. This position will continue to be reviewed particularly given the impact of the increasing costs linked to inflation and further updates will be provided to Councillors throughout 2024/25

2.6 The above overspends of £2.35m are offset by additional income of £2.05m in Corporate Financing from additional grant income (£1.66m) together with increased investment interest receivable (£312k) and lower interest payable (£82k).

2.7 This includes service projections as follows:

- Business Transformation - £57k overspend (Q1 £206k o/s) – additional expenditure on professional fees, training and other employee costs.
- Community and Housing GF Services £99k Overspend (Q1 £134k o/s) – numerous variances including salaries, agency staff, ICT purchases, offset by significantly more grants.
- Corporate Services £315k underspend (Q1 £360k u/s) – this is mainly due to savings on pension costs.
- Environmental Services £954k overspend (Q1 £981k o/s) – forecasted additional expenditure on salaries, property utilities, fuel and vehicle hire. The overspend, particularly on vehicle hire, has been mitigated by ordering a number of new

Audit, Governance and Standards Committee**10th Dec 2024**

vehicles, however the lead times are long. There are also significant drops in income in bereavement services.

- Financial and Customer Services £1,034k Overspend (Q1 £1,195k o/s) – increased forecast expenditure on agency fees due to vacancies and ICT purchases linked to Revs and Bens.
- Legal, Democratic and Property Services £116K Overspend (Q1 £100k o/s) – overspend forecast due to additional agency costs, room hire and postage costs.
- Planning, Regeneration and Leisure Services £218k overspend (Q1 - £277k o/s) – reduced fees and charges income, agency costs, professional fees, and equipment purchases.
- Regulatory Client £120k Overspend (Q1 £90k o/s) – additional spending due to transfer of Envirocrime and Planning Enforcement from NWEDR.
- Rubicon Client £120k overspend (Q1 £166k o/s) – forecast overspend due to a VAT surcharge to be paid by Redditch together with additional spend on buildings maintenance. A contribution from the Rubicon reserve will be made to mitigate this overspend. This reserve will be prepared and set up while completing the 2021/22 final accounts.

2.8 The position at year end 2023/4 in terms of Departmental Savings was that: the two Amber items still require careful monitoring:

- The Service Review figure as per the text in the table is more than covered by the difference between Establishment Staffing vacancies and Agency staff. However, this savings figure increases significantly in 2024/5 but should still be covered by the difference. A full Council Establishment Review was undertaken in May 2024 which is confirming the ongoing position and also put in place processes which keep tight control of staffing changes – which account for almost 50% of the Council's controllable budgets. These adjustments will be made in Tranche 2 of the budget.
- The Capacity Grid project, recouping old Council Tax and Business Rates debt is in mid flow. Presently levels for pre 2023/4 are £337k of Council Tax and £32k of Business Rates. We are assessing £3.5m of Council Tax Debt and £468k of Business Rates debt.

2.9 The red item in finance will not be delivered. Additional resource has been bought in to get the accounts up to date, which is also reflected in the MTFP. Following a recruitment drive in Q4, 5 staff have been recruited and they all start early in the 2024/5 financial year. This will reduce costs over the present Agency charges. The plan is that the accounts will be bought up to date by the end of the financial year and as such the team should be at Establishment and the ongoing budget position rectified.

2.10 The 2024/5 position is also shown in the table in Appendix A. The vast majority of savings items link to either increases in grant, agreed increases in Tax or items that will not be delivered until future financial years.

Audit, Governance and Standards Committee**10th Dec 2024**

- 2.11 The largest savings in recent years are on pension costs which link to the 2023 triennial revaluation. These revised figures run for three years. There is a risk for the 2026/7 financial year that these figures will go up when the next triennial revaluation takes place.
- 2.12 The following items will require careful tracking in this financial year
- Movement to fill the £400k Town Hall savings item with new tenants.
 - Delivery of the 7% increase on Fees and Charges across the majority of Council chargeable services. As we have seen in section 2.7, there are issues in income delivery in 2024/5 in some areas which will require careful monitoring and mitigation.
 - The deliverability of the new Planning income increases, as the moment although income is up year on year it is not at the targeted levels.
 - The Environment Partnership has not started, and we have an overspend in this area – this will be red until the partnership can begin.

3. FINANCIAL IMPLICATIONS

- 3.1 The savings have significant financial implications if not delivered.
- 3.2 The Council presently has an estimated £5.054m in General Fund Reserves to cover one off issues, and £4.088m in Earmarked Reserves for specific purposes as per the MTFP that was approved in February (now updated for the 2020/21 Accounts. These are the only recourse, apart from additional reductions in spending/additional income, that the Council has to mitigate the present overspend position.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 The green thread runs through the Council Plan. 2024/25 savings options which had implications on climate change would have been addressed at that time.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

- 6.1 There are no direct equalities implications arising as a result of this report. Any implications will have been dealt with as part of the 2024/25 Budget process.

Operational Implications

- 6.2 Operational implications will have been dealt with as part of the 2024/25 Budget process.

7. RISK MANAGEMENT

- 7.1 Non delivery of savings options, depending on their financial magnitude can have either a small or significant effect on the Council's finances. As such mitigations need to be in place to deal changes to what was agreed by Council in February 2024.

8. APPENDICES and BACKGROUND PAPERS

Appendix A – Bromsgrove Savings Monitoring 2024/25

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Ian Woodall	29/11/2024
Lead Director / Head of Service	Pete Carpenter	25/11/2024
Financial Services	Debra Goodall	27/11/2024
Legal Services	Claire Felton	29/11/2024
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee

10th Dec 2024

Appendix A – Redditch Savings Monitoring 2024/25/2

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	RAG Status	Narrative
23/4 Line Items						
Service Reviews	-140	-330	-405	-405	Yellow	23/4 position was £2.9m of vacancies covered by £1.6m of Agency staff. This position, following the establishment review, is still being evaluated for the savings required and final ongoing allocations. This savings was not delivered in 2023/4 as additional resource has been bought in to get the accounts up to date.
Finance Vacancies	-100	-100	-100	-100	Red	
Engage Capacity Grid (One Off)	-300	-300	0	0	Yellow	Needs to be carefully monitored as slightly under recovered in 23/4.
Environmental Services Partnership	0	-25	-50	-50	Red	As per the Q2 monitoring, there is a significant overspend in this area and the envisioned partnership has not yet materialised
Move to All Out Elections	0	0	-170	-170	Green	This needs to be reviewed in 25/6 budget
Town Hall	0	0	-400	-400	Yellow	Not an issue for 24/5, although over £150k is already being delivered. Issue is in the following year.
Total 23/4 Items	-540	-755	-1,125	-1,125		
24/5 Line Items						
Utilities increases		-228	-228	-228	Green	Only 60% drawn down in 23/4 – this is the 40% remainder.
23/4 Inflation Budget		-269	-274	-274	Green	Not drawn down in 23/4, £125k put in for 24/5
7% increase Fees & Charges		-238	-241	-243	Yellow	Will need testing given the £100k reduction in registrars fees
2% C Tax Increase 25/6			-144	-144	Green	This is the present allowable increase level
2% C Tax Increase 26/7				-147	Green	This is the present allowable increase level

REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee

10th Dec 2024

2% Fees & Charges 25/6			-69	-71		This is future years
2% Fees & Charges 26/7				-74		This is future years
Gov Grant at 23/4 Levels	-148	-148	-148	-148		As per Government Guidance
Council Tax increase to 3%	-67	-67	-67	-67		Allowable in 2024/5
				-60		Not included in original fees and Charges – needs validating. This is ahead of 23/4 income level at 6 months but not to the level of the 25% increase.
Planning income 25%	-60	-60	-60	-60		Based on budget review in January
22/23 Pay Award savings	-100	-100	-100	-100		Based on budget review in January
Impact of Budgets on Pay Award	-150	-150	-150	-150		Based on budget review in January
Changes in other Central Grants	-244	-140	-140	-140		As per Government Guidance
Additional Government Grant (Feb 24)	-103	-103	-103	-103		As per Government Guidance
Total 24/5 Items		-1609	-1,725	-1,949		

This page is intentionally left blank

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –
WORK PROGRAMME 2024-25**

10th December 2024

Standing items:

- Feckenham Parish Council Representative's report - Standards Regime
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- External Audit – Backstop Report
- Financial Compliance Report including update on Statements of Accounts
- Risk Champion Update
- Committee Work Programme

Additional Items:

- Financial Savings Monitoring Report

30th January 2025

Standing items:

- Monitoring Officer's Report – Standards Regime
- Feckenham Parish Council Representative's report - Standards Regime
- External Audit Update Report
- Internal Audit Progress Update
- Financial Compliance Report including update on Statements of Accounts
- Risk Champion Update
- Committee Work Programme

Additional Items:

- Capital Strategy 2025-26 including Treasury Management Strategy

8th April 2025

Standing items:

- Feckenham Parish Council Representative's report - Standards Regime
- Risk Management Report / Corporate Risk Register
- Internal Audit Progress Report
- External Audit Update Report
- Financial Compliance Report including update on Statements of Accounts
- Risk Champion Update
- Committee Work Programme

REDDITCH BOROUGH COUNCIL

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –
WORK PROGRAMME 2024-25**

Additional Items:

- Financial Savings Monitoring Report